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Inside

finweek TOP WOMEN TO WATCH P22

P19
Choppies eyes regional growth

P44
Vodacom Business Africa targets opportunistic growth

P10 CHINA SNEEZES

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TAKE A LEAF OUT OF CHINA'S BOOK

JANA MARAIS,
FINWEEK EDITOR, WRITES:

Given the Zuma administration's admiration of the Chinese – it even emerged that the president's foundation had sponsored the China Formula E racing team last month – one would think our economic ministers would've learnt a few lessons from their Chinese counterparts during all those state-sponsored visits over the years.

Ebrahim Patel and Rob Davies, respectively our ministers of economic development and trade and industry, and senior members of the SA Communist Party, have often cited the success of China's command-driven economy as the model to emulate as we build a developmental state.

Well, look no further than the local steel industry for a sector where Beijing's example could come in handy. Thousands of local steel jobs are on the line. Highveld Steel is practically bankrupt; ArcelorMittal is threatening to shut the country's oldest steel mill, which has been in operation since 1911.

Cheap imports are partly to blame; weak domestic demand is another crucial factor. Admittedly, the local steel industry did little during the boom years of the 2000s to curry favour with government, instead getting into hot water about things like price-fixing and collusion. But this is 2015, and the industry is in deep trouble – and while its woes are dominating the headlines at the moment, the sector has been in trouble for years. Cisco Steel shut down in 2010 already and Highveld has been warning about the possibility of bankruptcy since at least 2013; Scaw Metals is looking to retrench workers.

Where is import protection, subsidised funding, increased government spending on local steel to build things like Medupi and Kusile?

Yes, there are rules to follow – but you can bet your bottom dollar that the Chinese government would not have sat on their hands for five years watching a key sector of their economy slowly collapse. ■

Double take

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In Brief

NEDBANK BLOOMS

15.7%

The increase to R5.3bn in headline earnings in the six months to end June reported by Nedbank is partly thanks to an increasing contribution from its 20% stake in pan-African banking group Ecobank, strong growth in non-interest income and a decline in bad debts. The results, which beat market expectations, led to a 5% jump in Nedbank's share price on 4 August.

GREEK COLLAPSE

16%

The drop in the main Greek index on 3 August, when the Athens exchange resumed trading for the first time in five weeks, nytimes.com reported. The banking index fell 30%. Banks reopened on 20 July, but restrictions on money transfers and withdrawals remain.

STEEL WOES

R1.2BN

Steelmaker Evraz Highveld Steel & Vanadium, which entered business rescue proceedings in April, owes its 600 suppliers an estimated R1.2bn, *Business Day* reported. Economic development minister Ebrahim Patel said his department and their colleagues at trade and industry are looking at ways to assist the industry, which has asked for import duties to protect itself against cheap Chinese imports. (See page 15.)

MICROSOFT BETTING ON UBER?

$1BN

The amount (R12.8bn) software giant Microsoft is reportedly investing into mobile ride-hailing platform Uber. The investment forms part of a funding round that will value the company at around $51bn, making it one of the most valuable private companies ever, according to nytimes.com. Accommodation service Airbnb is worth more than $24bn, while Chinese electronics company Xiaomi is worth around $45bn, it said.

STANDARDS OF LIVING

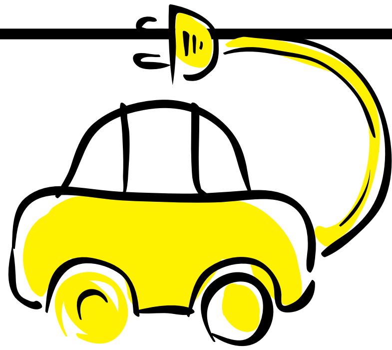
20%

Two in 10 South Africans claim to have a middle class standard of living, but according to the Institute of Race Relations (IRR), 10% is a more accurate representation. The report relied on indicators ranging from household spending levels, to workplace seniority, education levels, medical insurance cover, internet usage, property ownership, banking patterns, and appliance ownership. Of concern is that SA's weak economic growth rate will hinder any significant further expansion of the middle class. Only a policy reform process that stimulates GDP growth will ensure that the middle class grows substantially in future.

DROP IN TOURISTS

38%

The year-on-year drop in the number of Chinese tourists to South Africa in the first quarter of the year, to 19 104, according to Stats SA. Statistician-general Pali Lehola said it was the sharpest decline from a single country on record, but he said the cause of the drop is unclear and could be related to Ebola fears or the slowing Chinese economy, *Business Day* reported. Overall, visitor numbers declined 5.9% to 2.29m in the quarter. (Also see page 16.)



THE GOOD

US president Barack Obama has been hailed for his "Clean Power Plan", which aims to reduce carbon dioxide emissions by 32% by 2030 (compared with 2005 levels). The plan will encourage the move from coal-fired power stations to natural gas, and investment in renewable energy and efficiency, according to Reuters. While this is bad news for coal miners and investors, it is a brave step showing real intent to curb climate change.

THE BAD

The department of mineral resources took the extraordinary step of suspending the mining licence of Glencore's Optimum Colliery near Emalahleni as the minister accused Glencore of breaking the law in its retrenchment process. Optimum Colliery was placed in business rescue as low prices rendered the operation unprofitable. Someone should tell the minister that playing hardball will do nothing to help the ailing sector and preserve jobs.

Gallo Images/iStock

THE UGLY

The rand reached its weakest level in almost 14 years against the dollar on 5 August, dropping to R12.80. According to Bloomberg data, it was the weakest it has been since December 2001. Emerging market currencies have come under fire as commodity exporters have struggled due to the slowdown in China and a rate hike is expected in the US next month, making developed market assets more attractive. So fasten your seatbelts as we head towards R13 against the dollar.

"I've been asking for the last three years: let me have my day in court… I cannot wait any longer. I've had this dark cloud over me for too long." – EFF leader Julius Malema on 3 August at the Polokwane Magistrate's court, before the case was struck off the roll by Judge Billy Mothle. Malema and three others were facing charges of fraud, corruption, money-laundering and racketeering related to a R52m Limpopo government contract awarded to On-Point Engineering, of which his Ratanang family trust was a beneficiary, in 2009.

"I will go under extreme circumstances. I believe the people of South Africa have to protect this office. I am in this office temporarily. If the people of South Africa feel that the constitution is being trampled on… let the people do something about it." – Public protector Thuli Madonsela at a press briefing on 2 August, where she read out a 5 555-word document on Nkandla, addressed to the speaker of parliament Baleka Mbete, to the media. Parliament refused to give her an opportunity to respond to a report on Nkandla by police minister Nathi Nhleko that exonerated President Jacob Zuma from paying back any money related to upgrades at his homestead.

LETTER FROM NIGERIA

Kaduna governor shows Buhari how it's done

I am writing from Kaduna, a mid-sized city in northwestern Nigeria and the capital of Kaduna State.

While not huge in population terms compared with Lagos or Kano, Kaduna has historically had a high profile in Nigeria. It has a car plant, a Coca-Cola bottling plant and a recently restarted oil refinery nearby, so it is of understandable commercial and industrial importance.

Most recently the state and the city have been making headlines because of newly elected governor, Nasir El-Rufai, former federal capital territory minister. He's the man seen as responsible for much of Abuja's relative efficiency and the smooth running that stands up favourably against many other major African capitals.

Kaduna is a complex city with a turbulent recent history. In the past few years it has suffered interfaith tensions; divided into a majority Muslim north and minority Christian south, the deadly post-election riots of 2011 proved a particular flashpoint, while the religiously motivated Miss World riots of 2002 saw the deaths of more than 200 people. Drive through the city streets and you'll see underemployed and unemployed young people everywhere, keen for safe jobs and secure futures free from such violence and uncertainty.

Unlike president Muhammadu Buhari, criticised for his sluggish start in the hot seat since he was inaugurated in May, or Rivers State governor Nyesom Wike, who has been agitating as much as acting since the elections, El-Rufai has started work in earnest: changing officers, appointing new commissioners, cutting state overheads and attempting to unpick the mess he was left by the previous state government. He has slashed his own salary, a move that will always be popular in a country infamous for its bloated state and sticky-fingered politicians.

If you ask around in Kaduna, people will tell you that they think he's doing a good job so far. In particular they welcome his moves to rid the state payroll of so-called ghost workers – people who claim salaries without performing a service or being qualified for the role. The elimination of Kaduna's phantom workforce should create opportunities for qualified young people.

On a national level he is encouraging cross-state border security cooperation; on a micro level he's overseeing the purchase of more dialysis machines for hospitals and is reviving Kaduna's taxi service.

Of course, like all state governors in the heavily indebted Nigerian regions, these are tough times, and El-Rufai's plans face enormous challenges both financially and practically. They also depend on his officers and staff being as committed to an anti-corruption agenda as he appears to be. Decades of government theft have entrenched a culture of corruption and there are hundreds of slips twixt cup and lip in Nigeria that can push even the simplest plans off course.

Still, there's a sense of optimism that the governor's administration may bring with it positive change, even in such testing conditions. On a road bridge in the centre of the city some wobbly graffiti proclaims, "YOUTH SUPORT BETAR LEADERSHIP"; for now at least there's a feeling that in the form of El-Rufai, they might just be getting it. ■

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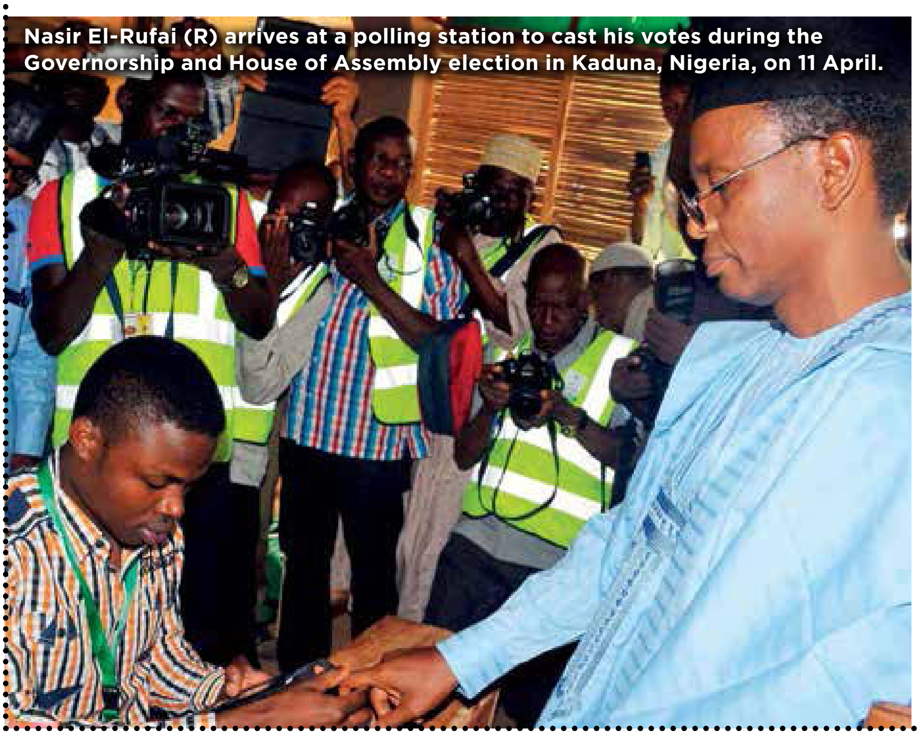


Nasir El-Rufai (R) arrives at a polling station to cast his votes during the Governorship and House of Assembly election in Kaduna, Nigeria, on 11 April.

Gallo Images/Getty Images/Anadolu Agency

Slim pickings

Recycling currently creates 100 000 jobs in South Africa, according to Donna-Mari Noble, communications manager at Mpact Recycling, a collector of recyclabes.

"Informal recyclers can earn between R20 and R150 per day from salvaging," she says. "It doesn't sound like much, but for some it is the only source of income."

Stats SA recently announced an unemployment rate of 25% for the second quarter. This was down from 26.4% in the previous quarter.

The outlook for SA's unemployment rate remains bleak, however, as economic growth for 2015 is expected to be relatively low, at around 2%. Fears are that the mining industry, which has been under pressure due to declining commodity prices and rising costs, could be forced to shed more jobs going forward.

An unemployed man sorts recyclable waste, which he sells for a living, in Soweto.

Image: Reuters/Siphiwe Sibeko

AFP Photo / Greg Baker

A man watches stock market movements at a securities company in Beijing in July, after Chinese stocks surged for a second day as a government rescue plan offered a respite from a month-long rout.

China sneezes

The July crack in the Chinese stock market exposes a multitude of fissures in the world's second-largest economy. Growth is slowing and will likely end the year at a respectable 7%, but the days of double-digit growth are probably gone forever. The knock-on effect of China's slowdown on South Africa is troubling.

BY CIARAN RYAN

In the last month the Shanghai Composite index, a proxy for the Chinese equity market, fell 30% after a 150% increase over the previous year.

That's no train smash, but what is alarming is that it is the steepest drop in five years. The Chinese government's commitment to market forces was put to its first real test and it blinked: bans were imposed on short-selling, initial public offerings and on equity selling by large investors. Up to a third of Chinese stocks are still restricted for purposes of selling.

The government has promised to support equity prices with hard cash, but rather than spreading calm, there is a sense of panic in these measures. The stock market could be just one of several bubbles ready to pop: two others ready to be taken to the knacker's yard are real estate and so-called zombie manufacturing companies with negative cash flows being kept alive on easy credit.

Apart from the trillions of dollars wiped out on the stock market, Goldman Sachs estimates some $225bn (R2.8tr) of capital flowed out of China between April and June of this year.

It's not as if the Chinese economy has stalled. It is still expected to achieve between 6% and 7% growth this year, according to official government forecasts, but this is a considerable slowdown for a racehorse shod for 10% annual growth. There is a real fear that China may have seen the last of its double-digit growth. The government long ago recognised the need to re-orientate its economy from export dependence to domestic consumption. It aimed to accomplish this by flooding the market with easy money to stimulate consumption among its 1.2bn people. The result is a debt bubble that needs yet more debt to stay afloat. Debt as a percentage of GDP has soared to 250%, according to Standard Chartered Bank, more than any other emerging market economy. In raw terms, debt-to-GDP has doubled since 2008.

Consumption grew 10% last year, but only accounts for 40% of GDP. So this engine of growth is not enough to rescue it from the investment flight (investment in 2014 accounted for 50% of GDP). Even consumption appears to be under strain, as reflected in steadily falling car sales in recent months.

COMMODITY CRASH

For the rest of the world, slower Chinese growth translates into weaker demand for commodities: Brent crude oil is down by half to $54 a barrel since 2012, while tin, copper and iron ore are between 40% and 60% down from their peaks.

"Compounding matters is that most miners can't afford to cut back on supply to try and prop up prices, so we may not yet have seen the bottom," says Jason Muscat, senior industry analyst at FNB. »

"This is obviously very bad news for South Africa as it means a material decrease in export revenue and prevents a faster narrowing of the current account deficit. Fortunately for our economy, the lower oil price is reducing the import bill and offsetting what would otherwise have been a far worse deterioration in terms of trade. Even so, our expectations are for the current account deficit to narrow very slowly, which should keep the rand under pressure, raising inflation and interest rate concerns."

The two sectors of our economy that are going to be hardest hit are mining and manufacturing, which are already on their knees with labour disruptions and electricity constraints.

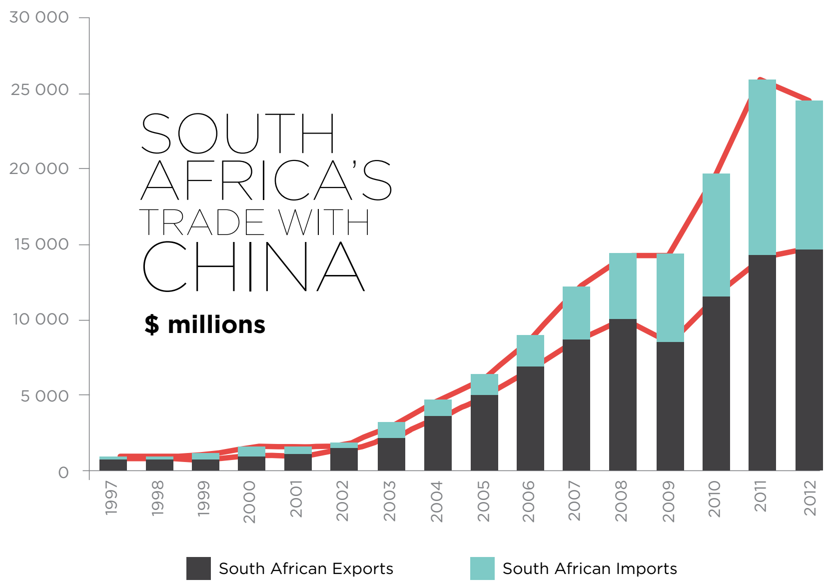
"We are already seeing iron ore, platinum, gold, coal and steel producers closing mines or production facilities, and this means job and wage losses, which will impact consumption," says Muscat.

SA is not alone in feeling the effects of slowing Chinese growth. Australia, Canada and other commodity-based economies in Africa are also feeling pressure.

The Trends Research Institute in the US offers this bleak assessment arising from China's troubles: "China – in midst of an economic slowdown, an equity market calamity and trying to keep its real estate bubble from bursting – absorbs some 50% of copper, iron ore and coal exports. Thus, nations rich in commodity resources, such as Canada, Australia, Brazil, Venezuela, Peru, Russia, Nigeria, Angola, Chile and Indonesia, are in recession or heading into one as demand for their exports declines worldwide."

CURRENCY WOES

For emerging market economies such as SA, weaker commodity export prices translate into lower foreign exchange earnings, and ultimately weaker currencies. The rand is down 20% against the US dollar over the last year, the Brazilian real is down a third, the Malaysian ringgit 17% and the Indonesian rupiah 15%. Most emerging market currencies have dropped below levels last seen at the height of the 2008 financial crisis. That creates balance of payments stresses that may force some countries to seek bailouts from the International Monetary Fund (IMF).



SOURCE: Quantec

THE RENMINBI AS A GLOBAL RESERVE CURRENCY

A development that could materially alter the outlook for China over the coming years is its campaign to include the yuan (also called the renminbi or RMB) as part of the basket of currencies forming the IMF's special drawing rights (SDRs). In a recent report, Mark Mobius, executive chairman of Templeton Emerging Markets Group, said this will have material benefits for China.

The four currencies with SDR status – the US dollar, the euro, the pound sterling and the yen – currently make up the overwhelming majority of global international currency reserves. These currencies dominate international bond markets and global financial transactions, and it seems only appropriate to include the RMB as a reserve currency, given China's growing economic power.

A survey by the Economist Intelligence Unit suggests that some 50% of executives who responded anticipated at least a doubling of RMB use, while 45% had used the currency in a cross-border transaction in the past year, as opposed to only 21% in the previous 12 months. Forty-nine percent were planning to use RMB to fund acquisitions. Fewer than 20% had been using the currency for such purposes for more than 12 months.

"Thus, the end of 2015 could see a transformed international financial landscape, with the launch of the Asian Infrastructure Bank, the New Development Bank and CIPS, accompanied by the admission of the RMB to the IMF's SDRs, clearing the way for it to become one of the world's principal reserve currencies," says Mobius.

"However, recent actions by the Chinese government to prop up the [stock] market and influence market participants could weigh heavily on the ability of the market to attain international respectability."

Another dagger hanging over emerging markets is the prospect of an increase in the Federal Reserve lending rates later this year, which will prompt a flight of capital to the US and further weakness for emerging market currencies.

In a recent report Peter Schiff, president of Euro Pacific Capital, argues that China's economy is fundamentally sound, but is being held back by a loose monetary policy that is designed to prop up the value of the US dollar and to suppress the value of its own currency, the yuan. It is in China's interests to maintain a strong dollar to maximise earnings from its exports. The problem, says Schiff, is that this creates distortions and bubbles within the Chinese economy.

If the air continues wheezing out of the stock market, investors who bought shares on borrowed money will face margin calls from the banks. That imperils the housing market, which is where much of the country's savings have ended up.

The real-estate sector, which previously accounted for some 15% of economic growth, could face outright contraction. New property starts fell by nearly a fifth in the first two months of 2015, compared with the same period a year earlier, according to *The Economist*.

Chinese housing prices were already down 4.5% last year – the first decline in two decades – and the problem is only going to get worse. There is a fear the government will try to delay the inevitable with further cash injections into an increasingly slowing economy, which is the failed prescription administered by Japan in the 1980s. A far better solution, according to Minxin Pei, senior fellow of the German Marshall Fund of the US, writing in *Fortune* magazine, is to let property prices fall and entice buyers back into the market.

Chinese factories are operating at about 70% capacity, and those with negative cash flows should be allowed to go to the wall rather than propping them up with credit. Michael Hasenstab, chief investment officer of Templeton Global Macro, says in a recent report the slowdown in Chinese growth to about 7% aligns with the government's own plans. He adds that the authorities recognise the slowdown as both unavoidable and healthy, and consistent with a rebalancing of China's growth engines away from investment and toward consumption. Recently, however, signs of growth slowing below the government's target have surfaced. This has triggered renewed warnings that the economy could soon suffer a hard landing, made inevitable by the imbalances and weaknesses accumulated in key sectors of the economy.

THE IMPACT ON SA

China's slowdown has hurt the SA economy through lower commodity prices and a weaker rand. A report by Nomura points out that while SA initially benefitted from lower oil prices, this was offset by a slide in metals prices and larger oil imports required to keep Eskom generators going.

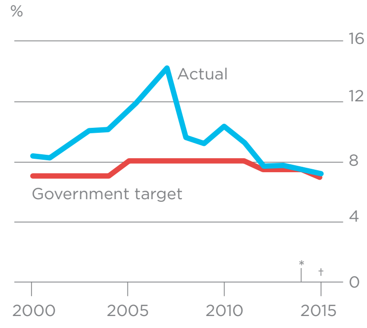
A softer landing for China would ease some of the commodity price pressures on SA. China became SA's largest trading partner in 2009, and that position remains unchallenged. Two-way trade with China increased by 32% in 2013 to R270bn, according to Stats SA, but the balance of trade remains firmly weighted in China's favour.

In 2013 this deficit amounted to R38bn. This trade imbalance is something that comes up in all bilateral meetings between the governments. In 2012 Distell acquired a majority share in a Chinese liquor distribution business, pointing the way for other companies seeking penetration of this market.

SA's exports to China comprise mainly minerals, while imports from China are made up almost entirely of manufactured goods such as textiles, machinery, footwear, clothing, electronic equipment, appliances and foodstuff.

One SA sector devastated by Chinese competition is textiles and clothing.

CHINA'S REAL GDP GROWTH



* Estimate
† Forecast

SOURCE: National Statistics: Thomson Reuters, IMF

While Lesotho's low-wage economy succeeded in picking up Chinese investment in clothing and textile factories, SA lost an estimated 70 000 jobs over the last eight years due mainly to Chinese competition. China exported an estimated $107bn of apparel in 2009, compared to just $2bn for sub-Saharan Africa, according to Justin Lin, former chief economist of the World Bank. Currently, South African steelmakers are urging government to impose import duties on cheap Chinese steel to protect local manufacturing capacity and jobs (see page 15).

Chinese investment in SA between 2003 and 2014 comprised 38 foreign direct investment projects representing a total capital investment of R13.33bn, according to statistics released last year by the department of trade and industry. During the period, a total of 10 992 jobs were created, it said.

Sectors covered by these investments were metals, motor, communications, financial services, food and tobacco, chemicals, industrial machinery, construction, machinery and transportation.

Major investors include Sinosteel as well as the Industrial and Commercial Bank of China (ICBC), which bought a 20% stake for $5.5bn in Standard Bank in 2007.

Earlier this year, Chinese firm»

Shanghai Zendai began construction on the R84bn development in Modderfontein, eastern Johannesburg. This project will last 20 years and eventually include 35 000 housing units, forming the core of what the developers claim will be the "New York of Africa". It will create a reported 100 000 jobs. Chinese companies have also invested in SA's mining, cement, transport and power sectors. The bulk of Chinese companies investing in SA are state-owned and focused on resources, with China as the customer for the product output.

UPSIDE TO AFRICA

There is a potential upside to China's slowdown, according to Martyn Davies, CEO of Frontier Advisory. China has started to move some of its manufacturing capacity offshore to lower-cost economies, away from the industry-heavy southeast of the country. Africa is in a position to pick up some of this economic rebalancing – if it makes itself more welcoming to investment in low-cost industries. "If this opportunity is seized by progressively reformist African states, they could well be on the cusp of a 19th-century style industrial revolution – generating jobs and creating new industries," Davies says.

An example of this is already unfolding in Ethiopia. The sovereign wealth funded China Africa Development Fund is financing a special economic zone industrial park to the value of $2bn over the next decade to create a light manufacturing zone on the outskirts of the capital city Addis Ababa. The focus is footwear and clothing. The eventual outcome of this could be the creation of 200 000 jobs, according to *The Economist.*

Says Davies: "China's recent commercial activity on the continent could be divided into two simple categories – large state-owned enterprise (SOE) investment alongside Chinese micro-enterprises owned by entrepreneurial migrants either trading or selling. A new type of Chinese firm will be coming to the continent over the medium term – growing private firms that best represent the real competitiveness emanating from the Chinese economy. "While resources have underpinned China's foray into Africa, a shift is beginning to occur – no longer planned by the government in Beijing but shaped by the market. The potential move of manufacturing out of China to Africa is the next thrust." ■

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HUMAN RIGHTS IN CHINA

ONE WOULD HOPE that the arrest last month of 10 South Africans and several Indian and British nationals in China's Inner Mongolia province for allegedly distributing "terrorist" materials, when all they allegedly did was watch a Genghis Khan documentary, is an embarrassment for the Chinese government. Apparently not.

The South Africans were quickly released, but the statements issued by official Chinese news agencies reflect little remorse for what was probably a misunderstanding. Several of those arrested gave "confessions" to the authorities, whatever that means.

There is little love for Human Rights Watch (HRW) in official Chinese circles, given its routine denunciations of China's human rights practices.

"China remains an authoritarian state, one that systematically curbs fundamental rights, including freedom of expression, association, assembly, and religion, when their exercise is perceived to threaten one-party rule," HRW wrote in its latest report.

"Since a new leadership assumed power in March 2013, authorities have undertaken positive steps in certain areas, including abolishing the arbitrary detention system known as Re-education Through Labour (RTL), announcing limited reforms of the *hukou* system of household registration that has denied social services to China's internal migrants, and giving slightly greater access for persons with disabilities to the all-important university entrance exam.

But, HRW said, during the same period, "authorities have also unleashed an extraordinary assault on basic human rights and their defenders with a ferocity unseen in recent years – an alarming sign given that the current leadership will likely remain in power through 2023. From mid-2013, the Chinese government and the ruling Chinese Communist Party (CCP) have issued directives insisting on 'correct' ideology among party members, university lecturers, students, researchers, and journalists. These documents warn against the perils of 'universal values' and human rights, and assert the importance of a pro-government and pro-CCP stance."

Chinese human rights activist Cao Shunli died in March 2014 after being detained, and then denied proper health care, for attending an overseas human rights convention. The government's anti-corruption initiatives have targeted senior and low-level officials who have been held in an unlawful detention system, while anti-government protests in Hong Kong and elsewhere have been squashed.

Press freedom and the internet also remain under attack. China was ranked 175th out of 180 countries in Reporters Without Borders' latest World Press Freedom Index, alongside countries like Eritrea, North Korea, Syria and Somalia. (SA ranked 42nd.) China's growing economic weight is allowing it to extend its influence over the media in Hong Kong, Macau and Taiwan, which had been largely spared political censorship until recently, Reporters Without Borders said.

Amsa's nerves of steel

BY DAVID MCKAY

Paul O'Flaherty, CEO of ArcelorMittal South Africa (Amsa), said he was heavily occupied with regaining the trust of government during his first six months at the company. "The relationship was very dysfunctional," he told *Finweek*.

His hope now is that government will support his request for tariffs in order to protect SA's domestic steel production from some 1.6m tons a year in cheap steel imports (domestic production of crude steel totalled an estimated 7.2m tons last year, according to the World Steel Association). "We have been given a sympathetic ear," he said of government negotiations. Whether that will translate into substantive action is another matter.

There's a theory out there that the last thing government wants is to bail out a potential competitor, even if that does mean saving thousands of jobs. Already, Evraz Highveld Steel & Vanadium announced on 21 July that it was entering into business rescue proceedings and that it would be suspending production in order to curtail costs.

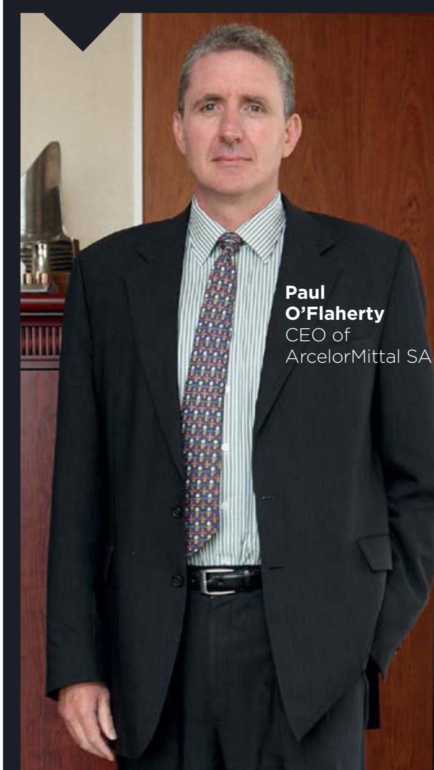
An agreement was signed last year between the Industrial Development Corporation (IDC) and Hebei Steel to investigate building a steel plant. A feasibility study is currently underway and if it passes muster, government will embark on its own steel-making facilities as a key part of its industrialisation policy.

It doesn't necessarily need import protection, as it will have a competitive advantage should legislation supporting developmental pricing of iron ore and coal be promulgated in terms of amendments in the Minerals and Petroleum Resources Development Act (MPRDA). The MPRDA is currently stranded in parliament, awaiting further dissection.

O'Flaherty acknowledges the existing conditions that motivate government antipathy to his company. One is a paragraph in the Industrial Policy Action Plan that talks about increasing and building competition. "That is where the debate comes in," said O'Flaherty.

He added, however, that Amsa was prepared to make a number of concessions and commitments in return for winning the protection of government, including settling its Competition Commission issues, discussing "a fairer price for steel", and following through on R4.5bn in specific projects in order to boost job creation. "We need tariff protection and localisation of steel in order to survive," he said.

> "IF WE HAVE TO SHUT THE ENTIRE INDUSTRY, IT WOULD TAKE **10 TO 15 YEARS** TO REBUILD IT. I DON'T THINK THAT IS AN OPTION."



Paul O'Flaherty
CEO of ArcelorMittal SA

Already, Amsa has alerted shareholders to the likelihood of restructuring its Vereeniging Works, affecting hundreds of jobs. There's also the risk that the entire sector could be vulnerable to the downturn in world markets.

"We are talking about a steel industry that directly provides 200 000 jobs on a primary basis," said O'Flaherty. "Without the primary steel industry, the industrialisation in the National Development Plan would be extremely difficult. If we have to shut the entire industry, it would take 10 to 15 years to rebuild it. I don't think that is an option."

O'Flaherty is also hoping to renegotiate some 6.25m tons in iron ore supply from Kumba Iron Ore, or source the iron ore from elsewhere as there are no take-or-pay conditions attached to the contract. As far as industry ironies go, this is right up there.

Amsa and Kumba duked it out from 2010 to 2013 over ownership of a 21.4% stake in Sishen Iron Ore Company (SIOC), with the matter eventually ending up at the Constitutional Court. In the end, the cost-plus sales arrangement between Kumba and Amsa was renegotiated while the stake in SIOC was awarded to Kumba, with conditions attached – the details of which are still unknown.

It's possible these conditions may ask Kumba to commit to a developmental pricing regime, possibly to a government initiative such as a steel facility, although whether that would be extended to Amsa is anyone's guess at the moment.

In the meantime, a key part of SA's industrial landscape continues to struggle. Amsa reported a R109m interim headline loss last week – a R103m deterioration over the R6m loss in interim earnings of the previous financial year – while prospects for the international steel industry remain depressed. ■

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New **visa** rules keep Brics tourists away

BY CIARAN RYAN

Recent figures from Stats SA show a 34% drop in visitors from Brazil in the first quarter of 2015. The drop is worse for our other Brics partners, Russia and China – down 47% and 38% respectively. The drop in the number of visitors from India was a more modest 13%. Overall, the number of tourists was down 6.8%.

Malusi Gigaba
Minister of home affairs

What could account for recent declines in arrivals, given the considerable bonus of a weak rand?

The award for own goal of the year goes to minister of home affairs Malusi Gigaba, who decided to tighten visa requirements in his battle against human trafficking. Many Chinese travel agents simply decided to stop promoting South Africa as a destination because of the difficulties in getting travel visas, and it shows. The Brazilians and Russians likewise decided that Gigaba can stuff his new visa requirements, and spent their travel money in friendlier countries.

The new visa rules require prospective visitors to provide their biometric data when they apply for visas, which means they have to appear in person at consulates and processing centres in their countries of origin. In addition, visitors in the company of a minor must produce an unabridged birth certificate for the child and proof of parental consent to travel.

The decline is the worst in 21 years and equivalent to a loss of R1.6bn to the country, according to Grant Thornton. "The 6% decline recorded in foreign tourist arrivals for the first three months of 2015 equates to a loss of 150 000 tourists, compared to the same period recorded last year. This is a decline of 1 600 tourists – or four jumbo jets – per day," says Lee-Anne Bac, director of Advisory Services at Grant Thornton.

While the cabinet is reviewing the new visa requirements, tourists continued to stay away in the second quarter. SA's tourism business index in the second quarter of this year dropped to its lowest level in nearly four years due to the new visa restrictions, with the Ebola virus scare accounting for some of the drop. The xenophobic attacks, which made world headlines earlier this year, are reckoned to have had little impact on the drop in arrivals, as they occurred towards the end of the first quarter reporting period. The financial loss of R1.6bn over the first three months of the year ignores the growth that would ordinarily have been expected.

THE CHINESE CASE

China is one of our fastest-growing in-bound tourism markets, increasing 122% to 152 000 visitors over the three years to 2013. Even allowing for a relaxation of visa requirements, the loss of goodwill in the travel industry will not easily be reclaimed.

A recent study by the InterContinental Hotels Group (IHG) titled *The Future of Chinese Travel* shows just how self-defeating Gigaba's new visa requirements are. The global study identifies SA as one of the smaller long-haul destination markets expected to see dramatic increases in the number of Chinese tourists by 2023.

Chinese visitors spend an estimated $700m (R1.86bn) a year in SA, according to the IHG report. A 38% annualised drop in arrivals from China equates to a loss of $266m (R3.3bn) this year alone. The IHG study suggests Chinese tourism spending will increase to $1.5bn (R18.9bn) by 2017 and $3.5bn (R44.1bn) by 2023. That's a huge injection of cash and jobs into an economy in desperate need of both.

A CLOSER LOOK AT THE INDUSTRY

Tourism and travel employs roughly 680 000 people and contributes 9.4% to GDP. The World Bank puts SA's tourism receipts at $10.5bn (R132.3bn) in 2013, which is roughly half that earned by tiny Singapore and Switzerland, showing the potential to expand with adequate infrastructure and a welcoming immigration department.

A recent study by Grant Thornton on behalf of the Tourism Business Council of SA (TBCSA) puts the new visa requirements in perspective. Thailand, Peru and the Philippines are some of the countries that require birth certificates and consent forms from parents for children travelling alone, or with one parent or a third party. However, in the case of Peru and the Philippines, these requirements apply to citizens and residents of the country and not to tourists.

In Thailand these regulations do not apply to children travelling with both parents. The TBCSA says it would be more cost-effective to implement the collection of biometric data on arrival at SA borders than to implement the same system at consulates and processing centres.

"Based on global tourism forecasts for 2015, South Africa should not be experiencing these levels of decline," says Bac. "South Africa appears to be bucking the global trend at the moment." She cautions that there will be far-reaching implications resulting from this dramatic decline, most notably a price squeeze as tourism product providers fight for a shrinking foreign tourism market and a price-sensitive domestic market.

"There will most definitely also be job losses especially in niche tourism operators that focus on specific foreign tourism markets i.e. China and India," Bac continues.

"The problem with South Africa's biometric visa legislation is that the infrastructure was not in place around the world when the law came into effect and communication around implementation and the requirements was unclear. This caused confusion and complications in the market.

"The issue is not about submitting biometrics or appearing in person for a visa. It's about the lack of systems to do so easily and simply. When applying for a visa it's often a tourist's first point of contact with SA and it is important that we remain a welcoming destination." ■

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CHINESE TRAVELLER SPENDING BY DESTINATION

	$bn		Share of total international visitor spend	
Destination	**2013**	**2023**	**2013**	**2023**
Hong Kong	21.4	41.6	58%	62%
Taiwan	6.8	12.8	53%	54%
Macao	18.9	35.4	41%	41%
Thailand	9.3	23.7	22%	29%
South Korea	4.1	7	28%	28%
Japan	2.4	6.2	18%	28%
Vietnam	1.1	3.9	17%	24%
Australia	1.4	4.8	9%	20%
South Africa	**0.7**	**3.5**	**8%**	**18%**
Canada	1.2	3.3	9%	17%
Singapore	2.3	4.5	12%	15%
United States	8.4	34.7	6%	14%
Argentina	0.5	1.2	12%	14%
Brazil	0.3	2.4	5%	14%
Russia	1.2	3.2	11%	13%
Switzerland	1	3.3	6%	11%
Indonesia	0.6	2.4	6%	10%
Italy	1.2	5.1	3%	10%
Netherlands	0.5	1.9	3%	10%
Malaysia	1.3	4.4	6%	9%
Germany	1	3.4	3%	8%
UK	0.8	4.2	3%	7%
France	1	3.5	2%	5%
India	0.3	0.9	2%	2%
Spain	0.3	1.2	1%	2%

SOURCE: UNWTO, Tourism Economics

SA'S TOP SOURCE COUNTRIES WHERE A SHORT-STAY VISA IS REQUIRED

	Country ranking in respect of number of arrivals to SA	Percentage decline Q1 2014/15
China	12	-38%
India	16	-13%
Nigeria	17	-15%
Angola	22	-1%
Kenya	27	-5%
DRC	28	-4%
Ghana	31	-13%
South Korea	36	-35%
Uganda	40	-19%
Philippines	41	0%
Russia	43	-47%
Taiwan	45	-32%

SOURCE: Grant Thornton, Stats SA

RBPlat gears down

BY DAVID MCKAY

There's something distinctly "un-corporate" about Royal Bafokeng Platinum's (RBPlat's) decision to turn its back on the debt markets and preferring to delay its 300 000-ounce-a-year expansion of its R10bn Styldrift mine in the North West.

The trend among platinum companies so far has been to grow profitable production where possible as a means of lowering unit costs and boosting returns to shareholders. Whether this helps an over-supplied metals market is another matter, but it seems stopping the massive deterioration in share prices is uppermost in the minds of mining executives.

Martin Prinsloo, chief financial officer of RBPlat, however, believes it's "prudent" to keep the balance sheet completely ungeared; in other words, debt-free, as well as maintaining a cash buffer of R1bn.

"The moment you are geared, you are driven by things other than value such as repaying debt or monitoring restrictions on covenants [agreements with banks]," said Prinsloo. "It is an appropriate time to put a peg in the ground and not step onto the treadmill."

The major concern at RBPlat is the continued slide in the platinum market.

The platinum price has been weak all year, but it's in the last month that the price has really started to worry, falling to $960/oz, the lowest it's been since 2009. That's a decline of a quarter of its value this year alone in dollar terms.

Prinsloo pointed out that the weakness of the rand against the dollar had resulted in a slightly softer landing – the rand basket price for platinum group metals (PGMs), which includes palladium and nickel as the principal by-products RBPlat mines, was down 18% versus the 30% in dollar terms – but the effect is setting off alarm bells.

Steve Phiri, CEO of RBPlat, added that the above-ground stocks of platinum were starting to "tick up again" and despite his hope that platinum demand would receive a boost from diesel autocatalyst production in the second half of 2016, the market was too hard to call. The above-ground inventories are particularly worrying. According to the World Investment Platinum Council (WIPC), above-ground stocks of platinum were set to decline in 2015.

Paul Wilson, CEO of WIPC, said in March that the supply deficit in platinum in 2015 would be 235 000oz, lower than the 700 000oz deficit in 2014, but sufficient to cut stocks 8% to 2.54m ounces. These stocks fell 20% in 2014, but their existence has been pin-pointed as the main reason the platinum market is currently stuck in its boots, and why it did not respond to the five-and-a-half month platinum strike in 2014.

"We are being prudent," said Phiri in a presentation to analysts. "The decision to slow down Styldrift is not driven by the availability of funds from the market. It is more about prudence. It is responsible in this market condition, given its outlook," he said.

In the meantime, Prinsloo believes some development of Styldrift, which is roughly halfway complete, will be financed with excess cash flows and income from reef it mines as it develops Styldrift, although he's reluctant to say what this may be.

According to Citi analyst Johann Steyn, not much. RBPlat's excess cash only totalled R100m in the half-year versus the R900m budgeted for Styldrift capital expenditure this year.

Still, analysts are bullish on RBPlat. It will generate cash from its existing Bafokeng Rasimone platinum mine, which produces about 300 000oz/year of PGMs, it has a strong balance sheet, and it is preserving its growth for ounces for a better market, said Allan Cooke, an analyst for JP Morgan.

"In our view, it's uniquely positioned to weather the trough of the PGM cycle and to benefit from a recovery in metals prices, when it comes," he said in a note earlier this month. ■

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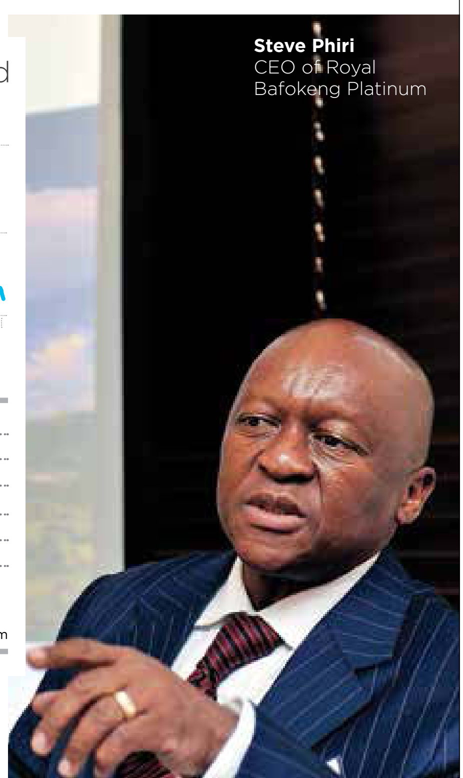
Royal Bafokeng Platinum Limited

52-week range:	R32.11 - R76.90
Price/earnings ratio:	14.13
1-year total return:	-54.68%
Market capitalisation:	R6.5bn
Earnings per share:	R2.39
Dividend yield:	-
Average volume over 30 days:	278 345

SOURCE: Bloomberg.com

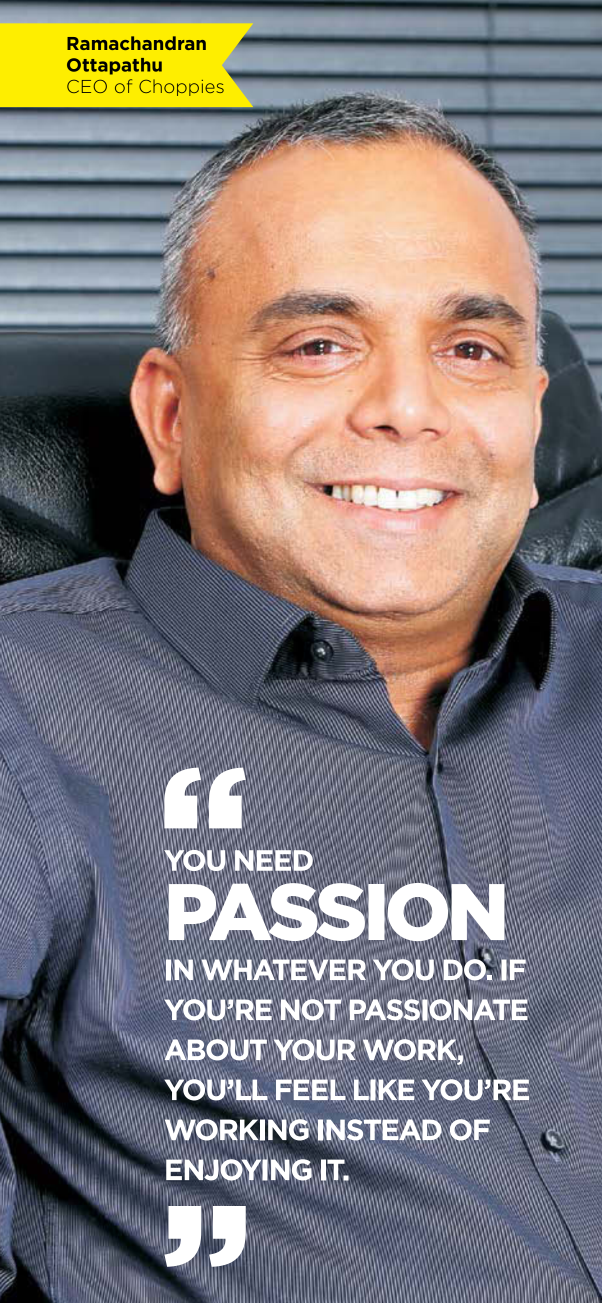


Steve Phiri
CEO of Royal Bafokeng Platinum

Choppies eyes regional growth

BY SHOKS MZOLO

The Botswana retailer, which targets lower- to middle-income consumers, plans to more than double its revenue and footprint by 2020. It also wants to grow to 200 outlets in seven countries by the end of 2016, and to 350 three years later.



Ramachandran Ottapathu
CEO of Choppies

"YOU NEED **PASSION** IN WHATEVER YOU DO. IF YOU'RE NOT PASSIONATE ABOUT YOUR WORK, YOU'LL FEEL LIKE YOU'RE WORKING INSTEAD OF ENJOYING IT."

In a highly competitive retail industry, Botswana's Choppies supermarket chain, founded in 1986 as a single store in Lobatse, south of Gaborone, stands out.

With a network of 125 branches – about two-thirds in Botswana and the rest in South Africa and Zimbabwe – the group has seen substantial growth in recent years, with revenues increasing by a compounded annual growth rate of 27% from June 2011 to the end of June 2014. It reported a gross profit margin of 21.5% last year, compared with Shoprite's 20.41%.

Choppies, whose leadership includes co-founder Farouk Ismail, and former Botswana President Festus Mogae, entered Zimbabwe two years ago (Shoprite left the country in 2013), and plans to expand to Namibia and Zambia this year. It is also set to soon enter the Tanzanian market, a country Shoprite quit in 2014 after years of losses. Ottapathu is confident that his team will make it where Africa's largest grocer failed.

"In the case of Tanzania, I don't think Shoprite was putting the kind of effort they're putting in in Zambia. Had they put in that kind of effort in Tanzania, they would have made it," says Ottapathu.

Choppies' first venture outside Southern Africa is in Kenya, where it announced in June it will buy local retailer Ukwula, with 10 stores in the country, for $10m. While acknowledging that it won't be smooth sailing, Ottapathu is positive about taking on Kenya's Nakumatt and Uchumi supermarket chains in their East African backyards.

Junaid Bray, analyst at Argon Asset Management, warns that replicating Choppies Botswana's success in neighbouring markets will probably prove a lot more challenging, given higher formal food retailing penetration especially in SA, he says. Choppies' SA business reported a pre-tax loss of 28.5m pula (R35.5m at current exchange rates) in the six months to end December.

"Expansion into new markets is likely to place more pressure on management, which may result in them losing focus of their core Botswana market, which

still generates around 90% of profits," Bray argues. "On average, new stores typically take between 12 and 24 months to break even. Given such an aggressive expansion plan, a substantial portion of Choppies' store base will thus be loss-making in the next 12 to 18 months."

Much as he commends the chain's "strong management who have built a strong track record", Bray says investors could argue the stock is very pricey at current levels, and that its strategy is not without risk.

Enchanted by a mix of its past and its potential, Choppies' fan base has lifted the stock by 44% since its secondary listing on the JSE in May, which allowed it to outperform the Food and Drug Retail Index comfortably, according to Bloomberg data. At the time of writing, Choppies was trading at around R7.08 per share, giving it a market capitalisation of R9.2bn – still a long way short of Shoprite's R95.4bn.

"At current levels, even some of the initial Choppies bulls would agree that the growth is already priced into the share price, with further upside being limited from these levels," Bray says.

While commending the supermarket chain's expansion plan as "a great vision", consultancy Antswisa Management Group's executive director Miyelani Mkhabela says it will take at least three years for the retailer to reach its goal of 200 outlets.

"Choppies will need to focus on both current markets and new territories as demographics differ, high market and political risks, extensive strategy for logistics, training of more retail managers and its staff components."

But Ottapathu says the group, with 500 managers, has the capacity to achieve these goals. Adding four other countries in just a few years, raises questions of integration. Will the group not choke? "Not at all," he says.

Mkhabela warns that its move into Kenya may not be easy, as competition is stiff and the informal market continues to play an important part in the retail sector. But Ottapathu says the firm has a strong local partner and will also benefit from a growing formal industry and a market of 45m people.

"[Demand] is high," he says. The World Bank projects economic growth of up to 7% for the next three years. "That should give an opportunity for people like us to expand," he adds. ■

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THE MAN AT THE HELM

Ramachandran Ottapathu, a chartered accountant, was introduced to the Botswana retailer in the 1990s when he was sent by his then employer in India to audit the start-up grocer's books. Soon, he became part of the Choppies family and quickly rose through the ranks to assume his current post, where he has been since 2000. Until then, the Chopdat family-held group had just three branches, and was virtually unknown outside Lobatse and Gaborone (where it set up in 2000) – let alone the rest of Botswana, or Southern Africa.

Since becoming CEO, the 51-year-old Ottapathu, a workaholic who puts in 100-hour work weeks, has transformed Choppies into a regional player.

"You need passion in whatever you do. If you're not passionate about your work, you'll feel like you're working instead of enjoying it. Your personal and work life has to be intertwined," he says.

He values consistency and delegation, not only in the form of duties but also power. According to Ottapathu, it is important to always play fair and be consistent in your approach when dealing with stakeholders.

- Diary: "My typical work day starts at 7:30AM and ends at 9PM."
- Hobbies: "I read a lot of books, and love to visit stores whenever I get a chance, and when travelling – Choppies and other stores."
- The last book I read: *The Secret* by Rhonda Byrne

finweek TOP WOMEN TO WATCH 2015

BY SHOKS MZOLO

While a recent PwC study indicated that there is a strong link between the financial performance of companies and female representation in their top echelons, only 8.79% of JSE-listed companies currently have 25% or more female directors. This is according to the 2015 South African Women in Leadership Census released by the Businesswomen's Association of South Africa (Bwasa) in July.

Only 2.4% of all CEOs in the country are female. Among them are Barclays Africa Group's Maria Ramos, in charge since 2009; Catherine Radowsky of Rex Trueform, Queenspark's parent company; and JSE boss Nicky Newton-King. Nonkululeko Nyembezi-Heita left ArcelorMittal SA, where she was CEO until last year, to assume a similar post at IchorCoal.

Quoting a recent Employment Equity Report, Sandra Burmeister, CEO of executive search firm Amrop Landelahni, says that while the percentage of female professionals in the workplace increased from 33% to 43% between 2005 and 2014, most of this change took place in the mid-2000s.

"More recently, the pace of transformation has slowed. This is a major concern," she says.

Speaking at the launch of the 2015 Women in Leadership Census, Bwasa president Farzanah Mall said there has been a global trend to strengthen legislation to increase women's membership on company boards. German lawmakers, for example, recently passed a law stating that by 2016 30% of board members at large firms should be women.

In SA, no such targets exist. While the country considered such measures, it is now going in the opposite direction. The Women Empowerment and Gender Equality Bill lapsed in 2014, erasing any headway Bwasa had made over the years.

It remains a reality, according to global consultancy McKinsey, that some men get appointed on the strength of their potential whereas women must prove themselves first. Double standards extend beyond appointments. The global pay disparity between men and women, according to UN Women director Phumzile Mlambo-Ngcuka, is 24%. According to Burmeister, the local pay gap between the sexes is at 35.5% in the private sector. It decreases to 5% in the non-profit sector.

This week, *Finweek* features a group of businesswomen who have made their mark despite these challenges.

COMPILED BY LAMEEZ OMARJEE AND BUHLE NDWENI

ANSIE VAN RENSBURG

HEAD OF STANLIB MONEY

Ansie van Rensburg and her team manage the largest money-market portfolio in South Africa. Van Rensburg is responsible for managing over R100bn worth of assets in Stanlib's three money-market funds and segregated mandates. Starting the money-market fund in 1997 is one of her greatest career achievements. It has grown from R1m in seed capital to over R100bn today.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?
I was in my late twenties when I got the opportunity to start my own business – a money-broking operation, CM Interbank. My whole career developed from there.

WHAT ARE SOME OF THE MISPERCEPTIONS PEOPLE, ESPECIALLY WOMEN, HAVE ABOUT THE INVESTMENT INDUSTRY?
Sometimes people think it is a man's world. I started as just about the only woman in the industry. Now, more and more women have started working in the industry as investment managers, portfolio managers, investors and traders. You *can* be successful in this industry as a woman.

WHAT HAS BEEN THE BIGGEST DIFFICULTY OR SETBACK THAT YOU'VE HAD TO OVERCOME?
Making the correct interest rate calls, and making the correct credit calls were always a challenge. Another was remaining compliant with new money-market fund legislation and changes in the Banks Act. Since 1997, the greatest setback was the impact of African Bank's demise on money-market funds. Our investors had small exposure to the risk. It is important to educate investors on the importance and benefits of diversification of risk. ■

ANUSHUYA GOUNDEN

CFO OF BARLOWORLD EQUIPMENT

Gounden was appointed one of the youngest Deloitte Audit partners, making her a role model to women striving to break through the glass ceiling in the workplace.

In 1999, she founded the Siyakhula programme, which provides underprivileged matriculants an opportunity to receive an accounting education. The cum laude graduate from the University of Pretoria is a founding member of the Association for Black Accountants of Southern Africa chapter at the university. Gounden spearheads the transformation process at Barloworld Equipment and is the youngest female on the board.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?
In January 2002, after September 11, I was sent on the two-year Deloitte Global Development Programme in the Netherlands, working in the area of public sector consultancy. I was appointed chief of staff to the chief operating officer for the Deloitte EMEA (Europe, Middle East and Africa) at 24. I went from working in consultancy to managing a business. It gave me exposure to a cross-cultural, cross-border business.

AS SOMEONE WHO'S PASSIONATE ABOUT TRANSFORMATION IN THE WORKPLACE, WHAT HAVE SOME OF THE CHALLENGES BEEN IN LEADING CHANGE?
The biggest challenge is getting people to accept something different or unknown and to make them believe change is not always bad. There is value in diversity and we need to embrace the unknown. We need to create businesses that are multigenerational, multicultural and cross-border. We need to connect people by finding some commonality, interests or expertise to overcome preconceptions.

ANY ADVICE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?
You have got to find something that gets you out of bed in the morning. Not simply just putting one foot in front of the other, but something that gets you to leap out of bed. You need to link what you're passionate about with your job. Be the best version of yourself and not who other people think you should be. ■

LINDIWE DLAMINI

FOUNDER AND MANAGING MEMBER OF IDNIL PROFESSIONAL CONSULTANTS

Dlamini is the founding member of IDNIL Professional Consultants, a South Africa-based, 100% female, black-owned practice. It specialises in project management, quantity surveying and construction cost consulting. In 2013, IDNIL received the PMR Africa Bronze Arrow National Award. The award recognises the expertise and excellence under Dlamini's leadership and shows that women can excel in the construction industry. She managed the construction of the medical staff residence at Rob Ferreira Hospital in Nelspruit and the upgrading and refurbishment of Prasa train stations and depots, among other projects.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?
The completion of the medical residence. It was our biggest project valued at R200m.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

JUDITH MIDDLETON

CEO OF DUO MARKETING + COMMUNICATIONS

In 2004, Middleton founded DUO, a business-to-business (B2B) technology communications agency in Cape Town, after spotting a gap among tech entrepreneurs wishing to market their brands. Today it has a presence in Johannesburg, Nigeria and Kenya.

She is one also of the founding members of Bandwidth Barn, Cape Town's first business incubator.

Middleton is business mentor for the University of Cape Town's Graduate School of Business – Business Acumen for Artists programme and serves as an angel investor within the AngelHub community.

THERE SEEM TO BE A LOT OF WOMEN ENTERING THE TECH-ENTREPRENEURIAL INDUSTRY. DO YOU THINK IT IS EASIER NOW THAN BEFORE?

The tech industry is still predominantly male in South Africa. I strongly believe we need to change this ratio. Women bring unique value but it's up to us as individuals, male or female, to earn and prove our worth in any sector.

WHEN IT COMES TO TECHNOLOGICAL CHANGE, SHOULD COMPANIES EMBRACE IT TO SURVIVE?

There are so many options to use technology to become more efficient and effective. DUO embraced cloud technology some years ago to benefit from reduced cost, risk reduction, scalability and flexibility. All these make such perfect sense for growing businesses, especially across borders. Fibre is also critical to success in this always-on business environment. ■

MICHELLE POTGIETER

DIRECTOR OF CORPORATE MARKETING AND COMMUNICATIONS AT SAMSUNG ELECTRONICS SA

Potgieter is responsible for Samsung South Africa's marketing portfolio. She previously held management positions at various prominent companies in the technology sector, including Telkom, Cell C, Sentech and LG Electronics South Africa. Potgieter completed her MA.Ed and PhD degrees at the University of Pretoria and obtained her MBA degree from DeMontfort University (UK).

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

Early in my career I worked as an academic at the University of Pretoria. I was part of a project to bring education to learners in needy towns and cities outside Pretoria. This led to a partnership with Telkom SA where technology was employed to deliver the training to learners at these newly formed campuses. Soon after, Telkom offered me a position within its corporate customer division. It was a great starting point and a springboard for many highlights to come.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

Disappointments, failures and setbacks are a normal part of life and as the leader of a company, I constantly have to remind myself "we have a problem, let's see how we can fix it". As a woman, a mother and a wife, I do believe that society needs to encourage people to challenge traditional notions and recognise the contribution that every individual, male or female, can make to the workplace.

ANY ADVICE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?

The best advice for anyone is to follow your dreams and work hard at them. For women in particular, I would say don't let anything or anyone hold you back. I base my life on the "CSR" principle, which stands for competence, sincerity and reliability. If you apply and display these values, you will achieve success personally and professionally. ■

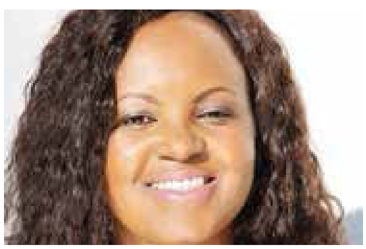
Telling my father I wanted to do quantity surveying. He was supposed to pay my fees, and it was not his first choice for me. I had to convince him and make him understand what quantity surveying is. He told me to do what makes me happy. Now both my parents are proud of my choice and where I am in my career.

WHAT ADVICE CAN YOU GIVE THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?

I took higher-grade mathematics in high school and I got to know about quantity surveying. I advise learners to take maths as most skills for jobs in the country require maths. ■

ZIBU MTHIYANE

CEO OF ZOLUHLE POLYMERICS



Mandela Washington Fellow for 2015, Mthiyane is currently in the US as part of President Barack Obama's Young African Leaders Initiative. Mthiyane graduated from the USB with an MBA degree in 2014. She also has a BA Communication Science and IT degree from the University of Zululand, an MDP from the Unisa school of Business Leadership and a grade A security certification. Mthiyane started an organisation called Ibutho Youth Organisation (IYO) with the aim of giving young people the opportunity to create the country they want to live in. She also heads Zoluhle Polymerics, a company that manufactures glass reinforced plastic composites using 3D-printing techniques.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

In 2000 I worked as a temporary educator, housekeeper and hairstylist, and had begun to forget my dream of going to university. I was studying at Nongoma FET doing an N4 certificate in public relations, but one month I didn't have money for bus tickets to travel between Ulundi and Nongoma. I hitchhiked and one of the drivers who picked me up was a young black female engineer. She told me the story of how she made it, and six months after meeting her I registered as a first-year student at the University of Zululand. She didn't change my circumstances, she changed my perceptions of my circumstances, and that was the break I needed.

WHAT ARE SOME OF THE MOST VALUABLE THINGS YOU'VE LEARNT ON THE PROGRAMME SO FAR?

Africa needs to move from aid to trade.

WHY DID YOU EMBARK ON AN MBA?

I interviewed a candidate for a position in my team who, within the period of an interview, could articulate everything that was limiting our team's ability to perform effectively. He was an external candidate and had never worked at the company. After the interview he explained his leadership development journey with USB and how it had changed his perspective on leadership; I enrolled the following month. ■

STACEY DAVIDSON

DIRECTOR AT REDISA (RECYCLING AND ECONOMIC DEVELOPMENT INITIATIVE OF SA)

In her 23-year career, Davidson has worked in retail and consultancy, held management roles in corporates, did a stint in politics and started her own business. In 2003, she founded Melsta Business Solutions, which provided data and community-based marketing strategies to financial services companies in order to trace members of pension and provident funds. Her interest in empowering the previously disadvantaged saw her volunteering for community-based organisations such as the National Institute for Crime Prevention and the Reintegration of Offenders (Nicro), the Cape Flats Developmental Association (Cafda), and Triple Trust Organisation. In 2012 she joined Redisa, where she focuses on developing entrepreneurs and SMMEs, and oversees the development of a new tyre-recycling industry.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

I started my first business venture when I was 19, selling rotis and cookies. It took me some time to realise that business is actually about people. You and me. I got my career break at the age of 32 when I secured a contract with Old Mutual. The opportunity made me shake in my boots because I had to deliver a presentation to actuaries, consultants and chartered accountants. But by presenting the financial model simply, I got the job.

DO YOU THINK ENTREPRENEURS SHOULD BE SOCIALLY MINDED TO CREATE SOCIAL CHANGE AS OPPOSED TO MAKING PROFIT?

It's all about creating a sustainable business. The world is changing and expanding in terms of innovation and population. Resources are limited. Business is more than just extracting value, it's about giving back. We have an economic system that teaches us to create, consume and throw away. Businesses need to change that to create, reuse and repurpose. ■

VUYO LEE

GROUP EXECUTIVE AT BRAND AND CORPORATE AFFAIRS AT MMI HOLDINGS

Lee positions financial wellness brands in the market, facilitates key stakeholder relationships and integrates sustainability practices in the business. She completed her BCom degree in Accounting and Marketing and then went on to do a BCom (Hons) in Marketing. After working a number of years, she completed an MBA. At the time she was in a specialist position but the MBA gave her a broader understanding and exposure to business. Lee spent four years in the FMCG industry, working for Coca-Cola and Amalgamated Beverage Industries. Her financial services career started at Old Mutual, where she held management positions in operations and strategy, before moving to Mutual & Federal as executive general manager for brand, customer and transformation.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

When I was given a scholarship to study for an MBA. It gave me the right foundation for general management positions and influenced my career path, especially as I was entering the financial services industry.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

The area I struggled with was making decisions that impact people and their employment. I found that periods of restructuring and high change were difficult, because you have to keep people and their career aspirations in mind. In every career, you do make mistakes. I made mistakes but I have learnt that you can grow from them, be resilient and up your game.

WHAT ADVICE DO YOU HAVE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?

Get an experienced mentor in your field who will advise you, act as your spokesperson and endorse you when opportunities in the organisation arise. Be focused on what you want to achieve. Having goals will help you make career decisions easier. There are many opportunities in the financial services sector. ■

YOLISA PHAHLE

CEO OF M-NET SOUTH AFRICA

Phahle is a classically trained musician who has worked as a teacher, television presenter and a studio manager and senior producer for the BBC. She is the first black woman to hold the top position at M-Net South Africa. As the director of local general entertainment channels, Phahle launched the VUZU and Mzansi Magic channels, which she counts as her career highlight.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

There are two things, the first being education. I was awarded music scholarships as a child and had access to excellent education, the best teachers and musicians. The big break in my career came after joining my first band, the Reggae Philharmonic Orchestra. The founder had an ambition to create music with young, black, classically-trained musicians. After moving from the UK to SA, and joining M-Net, I was given the opportunity to make new channels for new audiences. It has been a once-in-a-lifetime opportunity.

THE ENTERTAINMENT INDUSTRY IS DIFFICULT TO BREAK INTO. WHAT DID YOU DO DIFFERENTLY TO SET YOU APART?

The fact that my parents recognised that I was talented in music – they tried hard to expose me to the best musical education. If anybody is good at something, whether it's music or computers, to be successful you need to follow the 10 000-hour rule.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

Being a musician is great when you are 18 or 21, but I had no academic or vocational qualification. When I wanted to move into business, it proved quite a challenge. Eventually I got my MBA – that feels great. Another challenge was when I pitched my vision for a local entertainment channel, Mzansi. The first time I was rejected, and it was difficult for me. Mzansi represents so much of what I believe in – to tell local stories in local languages. I went back and revised my idea and presented it in a better way. I am glad I didn't give up. ■

ZAMA NDLOVU

MD OF YOUTH LAB AND DIRECTOR AT THE NATIONAL PLANNING COMMISSION

Ndlovu leads a team of nine individuals who established Youth Lab four years ago. It is a non-profit youth think tank. Youth Lab also runs a programme called I Cr8 SA, an incubation programme where young innovators in South Africa get the opportunity to turn their ideas into sustainable ventures. She is director at the National Planning Commission Secretariat Support Unit, responsible for public engagement coordination in the department of planning, monitoring and evaluation within the presidency.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

My first big break was when I co-founded Youth Lab. Before that I was working as a management consultant and I was unhappy with how small my contribution was to the vision of where South Africa should be going. The Youth Lab opened doors to my role in the presidency within policy and public engagement around the National Development Plan.

VIOLA MANUEL

CEO OF COLLABORATIVE STAKEHOLDER MOVEMENT

Starting her career at South African Airways, Manuel rose up the ranks to become head of department in training before setting out on her own. She completed her MBA with the Heriot Watt Business School in Edinburgh, Scotland. Currently she is CEO of Collaborative Stakeholder Movement and executive for the Atlantis Special Economic Zone project office. She also serves on the board of the National Sea Rescue Institute and the Western Province Rugby Union – where she is the only woman on the board. She is also the vice-chair of the South African Renewable Energy Business Incubator (Sarebi). She was executive director of the Cape IT Initiative for two years before joining the Cape Chamber of Commerce.

WHAT IS YOUR CONTRIBUTION TO CORPORATE SOUTH AFRICA AS HEAD OF YOUR ORGANISATION?

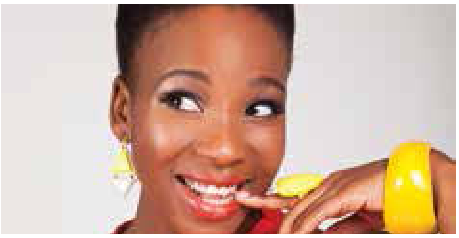
We create a platform for the private sector to drive the agenda on issues affecting businesses and how to find solutions, including, for example, dealing with corruption or how to create jobs within the private sector. We are lobbying for the private sector to take responsibility on these issues.

WHAT HAS BEEN THE BIGGEST SETBACK THAT YOU'VE HAD TO OVERCOME?

My MBA focused on entrepreneurship and the first business I started went horribly wrong – I lost huge amounts of money. Not because of my incompetence, but because I was working with the wrong people. You learn from those mistakes and start again. ■

TUMI MASEMOLA

CO-FOUNDER, EXECUTIVE PRODUCER AND DIRECTOR AT BLACK BRAIN PICTURES; SINGER AND SONGWRITER



Masemola graduated with a BA degree in Live Performance and Motion Picture from Afda in 2002. She is a founding member of the urban pop group Gang of Instrumentals – she also co-writes the group's songs and is its lead singer. It is signed to Black Soul Ink, a company Masemola co-founded. She is part of the company's management team and she also co-founded the production company Black Brain Pictures.

WHAT HAS BEEN YOUR BIG BREAK?

Black Brain Pictures was my biggest break. We came out of tertiary, had a concept and pitched it to SABC 1 for a R4m tender. They didn't take us on at first. But we didn't give up. We decided to raise the money ourselves to shoot an episode of the sitcom *City Ses'la* and went back to show them that we can actually do this. They believed in us enough to give us a chance, but provided us with mentorship and partnered us with experienced producers to make sure we could execute the production of the sitcom.

ANY ADVICE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?

We had to learn soft business skills by first understanding the principles of managing a production and all the costs that come with it, such as paying staff, PAYE and tax. We've had to do courses, do a lot of reading and surround ourselves with business owners and business mentors. ■

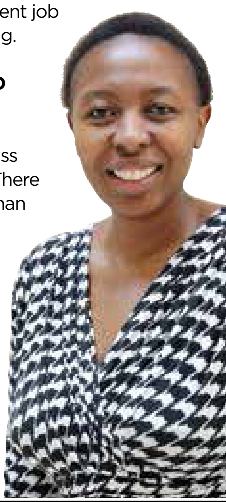
BONGIWE TINDLENI

HEAD OF ABSA PRIVATE BANKING

Tindleni started her career as a pharmacist but took the leap into the corporate sector when she joined Accenture as a consultant. In 2007 she entered the banking sector as a strategy analyst for FNB Commercial Banking. This was followed by a year-long stint as a business manager for Barclays in the UK. She has held a number of management positions at Absa, and has been head of Private Banking since 2014. She holds a Postgraduate Diploma in Management (PDM) from Wits Business School and an MBA from the Gordon Institute of Business Science.

WHAT HAS BEEN YOUR BIG BREAK?

The opportunity to move out of pharmacy launched my career outside the space I had been trained in. Unlike other professions like engineering or accounting, where people can explore other verticals in their career, it is not the same for health professionals. Joining Accenture was my biggest break initially. My second-biggest break is my current job as Absa's head of Private Banking.



ANY ADVICE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?

You need to find out what success means for you as an individual. There will always be someone better than you, do not compare yourself with others. Secondly, in the corporate world, it is easy to be consumed with the next big job you need to do. Do the best you can to fulfil the role of your current job. Focus on what you are doing and do it well. Finally, take people along with you. As much as you want to be given opportunities, you also need to give people opportunities. ■

WHAT HAS BEEN THE BIGGEST SETBACK?

I was a smart student, yet failed the second year of my geology studies. It took me about three years to get over this. I then made a career change and studied economics. I had to start over and redesign my life all over again, but it is a failure I am most grateful for in life because it has led me onto this career path. ■

STEPHANIE VENTER

SENIOR AUDITING LECTURER AT THE UNIVERSITY OF JOHANNESBURG (UJ)

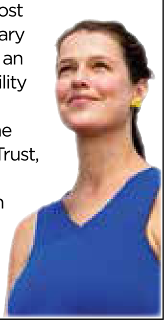
Venter was recently nominated as one of the Top-35-under-35 chartered accountants in the AccountancySA competition. As a senior lecturer at Accountancy@UJ, Venter founded and facilitated #UJGr8Deb8, a second-year project for the university's BCom accounting students that equips students with the skills to be leaders in the workplace. She is also departmental community engagement coordinator at UJ, and a two-term Vodacom Change the World Volunteer at the Kliptown Youth Programme (KYP). There she started the KYP Career Centre and the KYP Bursary Fund that currently supports 11 full-time students. KYP has secured a R4.3m partnership with the Service Sector Education And Training Authority (Seta) for professional training.

WHAT HAS BEEN YOUR BIG BREAK?

In my corporate social investment career, I think it was being chosen as one of the Vodacom Change the World Volunteers, where the vision is to get a skilled professional the opportunity to volunteer their time at an organisation on a more permanent basis. This programme was seriously an answer to the prayers and gave me the opportunity to use my skillset beyond the financial world to become a problem-solver in a community that I care for.

WHAT HAS BEEN THE BIGGEST DIFFICULTY OR SETBACK THAT YOU'VE HAD TO OVERCOME?

At KYP, funding for bursaries will always be a challenge. Top achievers in private schools are most likely to receive bursaries for their tertiary education. However, when you look at an average performer that has the capability to make it in corporate South Africa, it becomes slightly more challenging. The bursary fund, administered by Studie Trust, should ultimately be a vehicle for any person to assist capable students from the Kliptown community financially to study further. This will change the landscape of the community and the options of the generation to come. ■



LYNETTE NTULI
CEO OF INNATE INVESTMENT SOLUTIONS

Ntuli is founding director and CEO at the property, asset and infrastructure development and solutions firm Innate Investment Solutions. She is a commerce graduate, has previously held positions at Deloitte, Motseng Marriott Corporate Property, Motseng Property Services and the Durban Business Enhancement Initiative. She is actively involved at an executive and member level within various organisations in South Africa, a nationally and internationally recognised professional business speaker and a World Economic Forum Global Shaper and Founding Curator of a South African hub.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?
I was 20 when I started working and my growth was propelled by my decision to join Marriott Corporate Property. I joined Marriott in a new role and programme designed to accelerate new management talent and skills in the property sector and I didn't look back. I was posted to the Pavilion Shopping Centre in Durban, and joined Motseng Property Services (which was Marriott's property partner in the early years). The Pavilion GM position was my third job by that time. I was the youngest and first black female GM of a super-regional shopping centre in the country.

WHAT HAS BEEN THE BIGGEST SETBACK THAT YOU'VE HAD TO OVERCOME?
I can pinpoint many challenges and failures and losses that have brought me to today so this is a tough question to answer. But I will say this – each one has brought me to the next level, closer to who I am becoming, closer to what I should be doing with my talents and life.

ANY ADVICE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?
Work hard and stay open to learning, new discoveries and new networks. The space is technical, complex and very capital-intense, which makes the barriers to entry high, but not insurmountable if you maximise the value chain, partnerships and your own experience. ■

BEVERLY NGWENYA
NETWORK ENGINEERING OFFICER AT VODACOM SA

When she was still in school, Ngwenya's knack for solving problems and love for science and mathematics sparked an interest in engineering. She has held key management and executive positions at prominent telecoms, including Sentech and MTN. Quoting her grandmother, Ngwenya says: "If you solve problems, you will never go hungry." She works to provide more efficient network services in Africa, creating platforms to transfer content demanded by consumers. She hopes to be a CEO of a successful telecoms company one day.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?
There have been many. One of them would be when my career started at Vodacom. I worked as a technical manager, responsible for the network value chain across Africa. It opened up many opportunities for me. Thereafter I was appointed chief technology officer for MTN Zambia. My experiences and roles at Vodacom prepared me for that job. My current role as network engineering officer at Vodacom is also one of my biggest breaks. It comes with a lot of responsibilities and opportunities.

WHAT DOES THE FUTURE HOLD FOR TELECOMMUNICATIONS IN AFRICA?
Only great things can come from Africa. The innovations in this sector are mind-blowing. To think that prepaid was invented in South Africa, by the company I work for (Vodacom). We do have different challenges to Europe. But there are also a great deal of opportunities for telecommunications in Africa.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?
Luckily, technology is a very weird thing. Whatever challenges you think are not possible today, through technology, they will become possible tomorrow. The only real difficulties you have to manoeuvre around are related to regulations and people.

ANY ADVICE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?
For anyone looking to start a career in telecommunications or engineering, have a good foundation in maths and science. Secondly, you need good oral and written communication skills. ■

HAYLEY PARRY
CO-FOUNDER OF THE MONEY SCHOOL

Parry co-created The Money School, a financial education business. She has business qualifications from the University of Johannesburg and Jönköping International Business School in Sweden. Parry co-founded specialist mining news website Miningmx.com, which was sold to what was then FinMedia24*, with David McKay. She worked as publisher for FinMedia24's digital financial media titles before being appointed head of the digital division for Media24 Developing Markets.

WHAT HAS BEEN YOUR BIG BREAK?
I was incredibly lucky to meet with David McKay early on in my career. He wanted to start an online mining news site and needed someone to work with him. He took a chance on me. He said if we couldn't make a profit within three months I'd be out of a job. If we did make a profit, he'd make me a shareholder in the business. He was true to his word. We had a lot of fun building and growing one of the very few profitable standalone news sites at the time. That break set me up both professionally and financially and I'll always be grateful to him for that.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?
The first was when I had to work out my two-year earn-out after selling Miningmx. I had a steep learning curve during the tail end of that period when there was a significant management restructuring at very senior levels of the group business and it materially impacted our working environment. Similarly, I was completely blindsided when I was retrenched when I was three months pregnant.

ANY ADVICE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?
To anyone considering starting their own business, I always recommend having your first customer lined up, if not already on the books, before jumping ship from your existing job into your new venture. If you have an idea but aren't sure where to start, Noah Kagan of AppSumo has a great step-by-step guide to starting a R10 000-a-month business in one weekend. ■

**Finweek formed part of FinMedia24, and David McKay remains a regular contributor to the magazine*

TARYN HATCHUEL
MD OF EBONY + IVORY ADVERTISING AND CO-FOUNDER OF ZELLYCO.COM

Hatchuel completed her BA Communications degree at the University of Johannesburg in 2002. She assisted in getting an SME off the ground in Australia, which won Best Small Business in 2004. At the age of 25, she entered *SA Apprentice* with Tokyo Sexwale. Making it to the top five resulted in her being head-hunted by Paul Middleton at Ebony + Ivory Advertising. At the end of last year she launched an online accessories business together with her mother Zelda Arnott that has attracted 11 000 fans in its six months of existence and is already profitable, she says.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?
Participating in the first season of Tokyo Sexwale's *Apprentice*; it was while participating on this show that the founder of Ebony + Ivory Advertising was attracted to my strategic approach to marketing communications. I learnt invaluable lessons and analogies about both professional and interpersonal relationships. This coupled with my previous agency

LYNETTE BADENHORST

MANAGING DIRECTOR AND SHAREHOLDER AT PROBETA TRAINING

As an academic, entrepreneur and accounting practitioner, Badenhorst values skills development and training as essential to improve staff efficiency and organisational performance. The self-acclaimed workaholic established her own accounting practice after qualifying as a chartered accountant. She also established a Pastel training centre and served as a financial director of industrial supply company, Sibuyile Industrial Supplies.

In 2012, Badenhorst was appointed managing director of ProBeta Training. She develops course material for different training platforms. Under her leadership, the company earned international acclaim in research and training solutions for accounting professionals in Southern Africa.

HOW DO THE TRAINING SOLUTIONS STAY RELEVANT TO DIFFERENT GENERATIONS?

We had to change the methodology and stay up-to-date with developments. We developed products for all generations of employees – we do online training by means of webcasts and podcasts for the younger generation and face-to-face training for the older generation.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

When I was younger, I had to work and study part-time. I have studied for 11 years. It was a long road, which took a lot of dedication and time. Currently, staying up-to-date with changes in the accounting profession and then incorporating that in the training interventions is a big challenge. ■

experience and studies, paved the way for tenure as managing director.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

Regardless of the size of your business, you aren't immune to client losses and the economic recessions that impact the agency and individuals within the organisation. The key takeout is the ability to adapt and evolve to these scenarios, as they are a mainstay of agency life; it is imperative to be dogged in your response to challenging seasons. ■

MARCELLE MCDONALD

MD OF #HELLOYES MARKETING

McDonald started her advertising career at a digital printing company in 2003 and later worked for various agencies, holding different roles. By using her savings, she started her digital marketing agency, #HelloYes Marketing. In an industry that appears saturated, she saw an opportunity to transfer traditional marketing concepts on new media platforms, which other digital companies have failed to do. In its first year, the business has managed to achieve a turnover of over R1.2m and now employs four people. Her clients include brands such as Bioplus, Panado, IAB SA, Field Agent SA and Gina@work.

WHAT HAVE SOME OF THE CHALLENGES IN YOUR BUSINESS BEEN?

I didn't think it would be, but finding the right staff with the skill set for the digital space was challenging. It took a good few months to find the right people and train them to be on par with the level the industry is at. In the digital space, many digital companies poach skilled staff from each other; that's also a challenge, but I see it as an opportunity to develop the skills of people in South Africa. Digitally, SA is one of the most advanced economies, after China, Malaysia and Thailand. I know I am moving in the right direction.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

I came from a background where I did not have the finances to study, but I put my head down and worked hard to pay my way. I want people to know that they should not let their background stop them from becoming who they want to be. ■

S'ONQOBA MASEKO

HEAD OF FNB INNOVATORS PROGRAMME

Maseko is a Wits graduate and holds a BSc in Mathematical Sciences and a BSc Honours in Actuarial Science. She progressed from an Actuarial Analyst role on the First National Bank (FNB) Graduate Programme to Brand Insights Manager for FNB Brand Management. Currently, she is the head of the FNB Innovators Programme and is also the executive assistant to FirstRand's outgoing CEO, Sizwe Nxasana. Maseko has been a World Economic Forum Global Shaper since 2014.

WHAT HAS BEEN YOUR BIG BREAK?

I have been afforded many big breaks. The first was obtaining scholarships for both my matric year and my university career. My most recent big break was being appointed as the executive assistant to the FirstRand Group CEO in 2013, which has allowed me to work with a brilliant leader while learning a great deal about running a business the size of FirstRand.

WHAT IS THE FNB INNOVATORS PROGRAMME ABOUT? AND WHAT DOES BEING IN THE DRIVER'S SEAT ENTAIL?

The FNB Innovators Programme is an internal employee innovation programme that encourages and supports FNB employees to come up with ideas and implement them. The ideas span small improvements, efficiencies and business transformation. Heading up the programme is a great opportunity to understand global trends, start-ups, disruption, technology and the financial services sector and to use this to ignite positive internal disruption to ensure that FNB remains innovative and world class. It also affords me the opportunity to work with many amazing colleagues with brilliant ideas and to create the platforms and connections that allow for their implementation. The best part is the ability to annually celebrate our innovators and give the top innovation R1m after tax. ■

RENÉ GROBLER

HEAD OF INVESTEC CASH INVESTMENTS

Grobler heads up Investec Cash Investments, a division that offers cash solutions to three key markets, namely: individuals, intermediaries (financial intermediaries and money managers) and small businesses.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

I made the decision to join Investec in 2009. I was fortunate to have a management team who backed me and gave me a fantastic opportunity to build a business. I also had a very talented team around me who pulled together and didn't settle for second best.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

There are times in everyone's career where the odds are stacked against you, and nothing seems to go your way. This is when your mettle is truly tested and you have to dig deep to find the inner strength to fight harder and never give up.

ANY ADVICE FOR THOSE WHO WANT TO MAKE IT IN YOUR SECTOR?

Once you have found your passion or niche, hone your skills and don't settle for mediocrity. Make sure you excel at what you do, then back yourself and don't give up until you reach your goal. Finding a respected sponsor in your organisation can make a big difference to your career. ■

DR BRONWEN SCHOENFELD

SPECIALIST IN PLASTIC AND RECONSTRUCTIVE SURGERY AT MIDLANDS SPECIALIST CENTRE

The Howick Day Clinic is the first-ever private clinic to be built, managed and run by a female plastic surgeon, Dr Bronwen Schoenfeld, in South Africa. The six-bed facility caters for a variety of surgical specialities including orthopaedics, general surgery, urology and ophthalmology. Schoenfeld obtained her medical degree (MBBCh) from Wits University in 1997 and interned at Chris Hani Baragwanath Hospital. She qualified as a plastic and reconstructive surgeon in 2006 and is a member of the Association of Plastic and Reconstructive Surgeons of South Africa and the South African Society for Surgery of the Hand.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

There have been a series of events where everything has fallen into place one after the other. Obviously not without work though! The first of these would have been getting the licence from the department of health. It involved various feasibility studies, demographic studies, among others, and then with each stage of the project came a new set of challenges requiring consistent hard work!

HOW HAS THE DAY CLINIC BENEFITTED THE COMMUNITY SO FAR?

The day clinic has provided an alternative venue for day surgery to be performed in a quiet, personalised, private and professional environment. This frees up the hospital beds in the local private hospital so they can be given to those who really need to be in hospital for more major conditions.

WHAT IS THE BIGGEST DIFFICULTY OR SETBACK THAT YOU'VE HAD TO OVERCOME?

The project took a little longer to complete than we had hoped and the department of health had us jumping through numerous hoops before it would sign the paperwork allowing us to open our doors, but none of this was entirely unexpected or insurmountable. I had an exceptionally well-qualified team of professionals involved with the building project and enjoyed interacting with them. ■

ROUXLÉ VAN MOLENDORFF

CEO OF EUROP ASSISTANCE IN SOUTH AFRICA

Van Molendorff is CEO of Europ Assistance in SA, the biggest Europ Assistance Group subsidiary in South Africa, and also home to other subsidiaries such as Fix24 (geyser and glass replacement and repair services), Kudough (consumer credit rating and monitoring), Randgo (lifestyle and loyalty programmes), Healthi Choices (comprehensive wellbeing solutions to employers, medical schemes and consumer groups) and Labour Assist (labour and legal assistance to employers).

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

I was employed by the CEO of Prestasi Brokers (now Indwe), who was a strong advocate for women in the workplace, and the company literally pushed me into positions of power without all the necessary experience, but then empowered me through international learnership opportunities. The company also focused strongly on the development of the management team.

WHAT HAS BEEN THE BIGGEST DIFFICULTY IN YOUR CAREER?

My biggest difficulty was creating work-life balance. I have four children and I was in an executive position that required a lot of travelling. This in itself created its own set of challenges especially when my family needed me. Women tend to not do so well with company politics. If something bothers us, we speak up and get it over with, so I made big mistakes in trying to fix everything immediately. Today I know the best thing to do when you don't see eye-to-eye with someone is wait and try to see both sides of the picture, then to discuss the issue with the other person to find solutions. ■

CHRISTELLE FOURIE

CEO OF MUA INSURANCE ACCEPTANCES

Fourie is the CEO of MUA, one of South Africa's leading insurance underwriters. She began her career straight out of matric as an underwriting clerk at Santam. By the age of 25, she was the founding managing director of Thatch Risk Acceptances, after which she joined MUA. Fourie briefly rejoined Santam as the head of Personal Lines Underwriting before returning to MUA as MD and then becoming CEO.

WHAT WOULD YOU IDENTIFY AS YOUR BIG BREAK?

I started working the week after I finished my final matric exams, as there was simply no money for university studies. My big break in business was without a doubt when Steve Murphy, the MD of Hollandia Reinsurance at the time, offered me the opportunity to start an underwriting agency specialising in thatch risk insurance. When I started in this role, I did not even understand what an underwriting agency was. When the board asked for a strategic plan or a staff performance management plan, I went to business school, learnt the basics and did it. The eight years at Thatch served as my "MBA in practice" and shaped me for my future career development.

WHAT HAS BEEN THE BIGGEST DIFFICULTY THAT YOU'VE HAD TO OVERCOME?

An extensive restructuring exercise at the end of 2012, which resulted in the retrenchment of 30 people in our business. Being a woman, more specifically a mother, makes for a slightly different leadership style. Every single person in our business matters to me. This guides the way I run our company in order to prevent a restructuring from ever taking place again. From an industry perspective, the impact of the rand on the cost of motor repairs resulted in our underwriting results taking a major setback in 2013/14. During that time I learnt the great value of true partnership; our shareholders stood by us while we faced the challenging goal of returning to profitability. ■

PRIDE MOROKANE

BRAND MANAGER AT BRITISH AMERICAN TOBACCO SA

Morokane is a brand manager at BAT and sees the regulations in the industry as an opportunity to find creative marketing solutions. She has worked for a number of brands previously, including Stanlib, Brand SA and Stimorol. She mentors young entrepreneurs and two of her mentees produced the internationally acclaimed film, *Thina Sobabili.* In future, she plans to travel and teach people what she has learnt.

WHAT WOULD YOU IDENTIFY AS YOUR BIG CAREER BREAK?

The opportunity to work for Brand SA; it opened my mind. The experience gave me great perspective and I had the opportunity to see the bigger picture – what each industry contributes to my country locally and abroad. It became clear that strong brands can shape the future.

WHAT SPARKED YOUR INTEREST IN MARKETING?

I was an economics major in my first year, not doing great because I was disengaged. The week I was thinking of pausing my studies, we did a Red Bull case study in marketing. For the first time, I heard something that sounded like what I would want to do with my life.

WHY DID YOU DECIDE TO DO AN MBA?

It was time to personally challenge myself outside of the corporate space or the familiar. My manager at the time told me about his MBA experience and it sounded like the stimulus I needed. Already during my studies I noticed the benefit it provided my career. ■

Is it time to can **performance reviews?**

BY MARGIE SUTHERLAND

The perennial dilemma comparing the efficacy of occasional formal performance appraisals to that of a system of ongoing informal manager-to-employee feedback grabbed headlines when Accenture announced that it would no longer be linking its forced rankings system to formal annual performance appraisals. Instead, the company is implementing a system that will provide employees with feedback on their performance on an ongoing basis.

The debate should not focus on the merit of one system over the other, but should consider the value of both. The Corporate Leadership Council, a world thought leader in human resource best practice, showed that ongoing informal feedback is the most powerful tool in driving performance. Informal feedback should be detailed, with specific praise or criticism being given to the employee within 48 hours of an event occurring. It is every supervisor's and manager's duty to regularly let their staff know how they are doing; that is how performance and careers are best shaped.

CONDUCTING PERFORMANCE APPRAISALS

For this to succeed, organisations need to foster feedback-rich cultures where providing praise and constructive criticism is a visible and tangible core activity. All staff members need to buy into a system of open feedback across the organisation's levels and departments. This will benefit both the organisation and its employees.

In order for performance appraisals to be seen as valuable, they need to be based on pre-agreed measurement systems that are job-specific. Both the manager and the staff member should receive the output from the measurement system on a regular basis, for example, to allow for continual responses to performance lapses or the recognition of good performance. The performance appraisal should always be a summary of these ongoing performance measures and feedback discussions. The golden rule of performance appraisals has always been "no surprises" – everything that is raised in a performance appraisal meeting should have been previously discussed and attended to.

IT IS EVERY SUPERVISOR'S AND MANAGER'S DUTY TO REGULARLY LET THEIR STAFF KNOW HOW THEY ARE DOING; THAT IS HOW PERFORMANCE AND CAREERS ARE BEST SHAPED.

Performance appraisal outcomes often serve as an indication of what management decisions should be made regarding important issues such as training and development; the justification of bonuses and increases; promotions and the future of employees who are not performing at a satisfactory level. It will be interesting to see how Accenture makes these decisions if the performance information is not consolidated and discussed a couple of times per year.

Performance appraisals are never a neutral event – the outcomes can either improve or worsen the relationship between managers and their staff. Effective performance appraisals require that both parties receive training on how to conduct these meetings, as both parties should be equally prepared. Both should have an equal amount of time to speak during the appraisal, which should be divided into a discussion of the past and planning for the future.

Performance ranking systems that pit staff against each other often lead to unintended hyper-competition between staff members within an organisation. This can lead to the withholding of information and resources, a lower likelihood of innovations occurring and best practice not being disseminated across the organisation. The sweet spot between internal competition and internal co-operation has to be found. This is where transparent performance measures are in place and feedback is provided regularly. Organisations that find this balance should also recognise and reward employees – both financially and by other means – when they reach targets and share knowledge.

BEST OF BOTH

Choosing between implementing a system of ongoing or occasional formal feedback is not going to produce an effective outcome – opt for both. Consolidate ongoing feedback into a formal performance review meeting that is non-onerous. Establish a clear link between the employee's performance and the impact it will have on the business success of the manager's unit. This combination will drive successful performance for all. ■

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Professor Margie Sutherland is a faculty member at Gordon Institute of Business Science (Gibs).

Getting to grips with the **next 20 years**

BY LIESL PEYPER

What will South Africa and the world look like in the next two decades? A local scenario planner and an international futurist provide some answers.

While government hopes to reinvigorate the manufacturing sector, the unreliable electricity supply could be a stumbling block.

Gallo Images/Graeme Williams

All sectors of the economy need to have a proper understanding of the world we live in and how changes in that world will impact us. At a recent investment intelligence conference, co-hosted by Glacier and Sanlam Investments in Johannesburg and Cape Town, a team of experts shared their views on how to shape up for the changes and challenges that lie ahead.

SA STUCK IN A RUT

Frans Cronjé, CEO of the Institute of Race Relations, author and scenario planner, can't see how South Africa will turn the ship around anytime soon. "Just like a household that is running out of money, the South African government has limited options," he says. The government's current economic policy doesn't allow for the economy to grow any faster, while borrowing more money is also off the table due to our high debt-to-GDP ratio.

"Through the ANC's shrewd economic management in the late 1990s, it managed to bring down debt levels into the 20 percentiles, but that picked up again in the global financial crisis. The crisis passed, but debt levels have continued to escalate," Cronjé says.

"By the end of this year we'll be back at the debt-to-GDP ratio we were at during apartheid. We're experiencing disinvestment, violent protests and uncertainty – this in an era during which other emerging markets are leading global economic growth and have overtaken advanced economies in purchasing power terms."

AN ABOUT TURN?

The only period during which the ANC-led government managed to make a dent in unemployment figures was during the so-called golden years between 2004 and 2007, when the economic growth rate broke through 4%. "If we can get back there again, South Africa will in all likelihood experience a rapid turnaround in job creation and political and social stability," says Cronjé.

It's going to be an uphill battle, though, especially if one considers the depreciation of the rand. "In 1982 the rand traded at R1 against the US dollar for the very last time. Since then the rand has lost a half to two thirds of its value every decade and there's nothing to suggest that this downward trend is going to be reversed," explains Cronjé. "In fact, if this natural progression continues the rand will break through at R20 against the US dollar by the end of this decade."

YELLOW BRICK ROAD

The structure of South Africa's GDP tells a compelling story, continues Cronjé, one our cabinet ministers would want to reverse. That story is the significant role the high-tech, high-skilled services sector plays in the South African economy. He calls it the country's "yellow brick road".

Cronjé explains: "From 1994 until 2015 agriculture has contributed 5% to our GDP, while mining has remained flat at 10% and manufacturing has gone down from about 25% in the 1950s to about 12% in the 1990s."

Government's intentions to reinvigorate the manufacturing sector are largely infeasible, though, because of our unreliable electricity supply.

"The contribution of the 'yellow brick road' to our GDP is now almost three times higher than that of mining and agriculture combined," says Cronjé, "and therein lies the story of the natural long-term solution for the South African economy." In short: the yellow brick road means SA could become to Africa what Hong Kong is to China – the country's tech hub.

A NEW WORLD ORDER

It's been 25 years since the fall of the Berlin Wall and we now live in a world where global cities are going to play a much more important role than countries.

This was the view of Parag Khanna, a global strategist and best-selling author. "We're living in a world where there's no one single power at the centre any longer. Instead, we'll see greater regional integration and we're on our way to becoming a world of cities."

Khanna also believes that the solution to the spiralling population growth lies in urbanisation. "Going forward, it's going to be very important for countries to harness demographics. We're now reaching peak humanity and your children will live through [the time when we reach] the maximum amount of people the earth can carry. That's not going to be 15bn, but rather 8.5 to 9bn people."

When people move to the cities and are working, they're not having children and their standards of living increase. "The improvement in quality of life we've seen in China and India has been brought about by rapid urbanisation," says Khanna.

By 2025, there will be 37 megacities around the world, of which the majority will be in China. "China is reconfiguring its map around 26 megacities."

Khanna believes that in a world of megacities people will be more connected than ever – be it through direct flights and universal mobile connectivity or internet access that will give individuals a lot more freedom and mobility. ■

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"BY THE END OF THIS YEAR WE'LL BE BACK AT THE DEBT-TO-GDP RATIO WE WERE AT DURING **APARTHEID.**

Frans Cronjé
CEO of the Institute of Race Relations

BUY ✔ SELL HOLD

VANGUARD ETF

Get into that US market

BY SIMON BROWN

A FEW WEEKS back I recommended DBXUS* as a buy recommendation and a couple of people emailed me asking about a US-listed exchange-traded fund (ETF) that tracks the US markets.

Now, the best index to track the US market in the US is the S&P 500, which covers the 500 largest stocks in the US. We have a number of options, with three main ETFs on the index. The underlying shares are all going to be the same, so we focus on costs; the Vanguard (VOO) has an expense ratio (ER) of only 0.05%, making it our preferred ETF covering the broad US market.

There are some differences between VOO and DBXUS in that the local ETF tracks the slightly broader Top 600 in the US; otherwise they are the same and of course if we're buying VOO, we are buying directly in US dollars in the US. This means we can only buy it via an offshore brokerage account and we'd buy it there. ■

**The writer owns shares in DBXUS.*

Simon Brown Last trade ideas

- HOLD **AdvTech**
- HOLD **Taste Holdings**
- BUY **DBXUS**
- SELL **Anglo American Platinum**

BUY SELL ✔ HOLD

IMPERIAL HOLDINGS

Bad news all round for vehicle sales

BY MOXIMA GAMA

VEHICLE AND LOGISTICS group Imperial Holdings could lose more of its gains in the short term (one to six months), especially after recently breaking through a key support level at R170.55. Rand weakness will continue to hurt revenues, and with talks of the rand retesting its all-time low of R13.85 against the dollar (as reached in 2001), Imperial's vehicle import, distribution and dealership business – which brings in 25% of group revenue and 24% of operating profit – will be under pressure.

A recent report on vehicle sales statistics for July, released by the National Association of Automobile Manufacturers of South Africa (Naamsa), painted a bleak picture of the state of the industry. "Intense competition in an increasingly difficult trading environment continued to put pressure on margins throughout the automotive value chain," it said, adding that slower economic growth and the recent 0.25% increase in interest rates were expected to put further pressure on sales of new cars over the balance of the year.

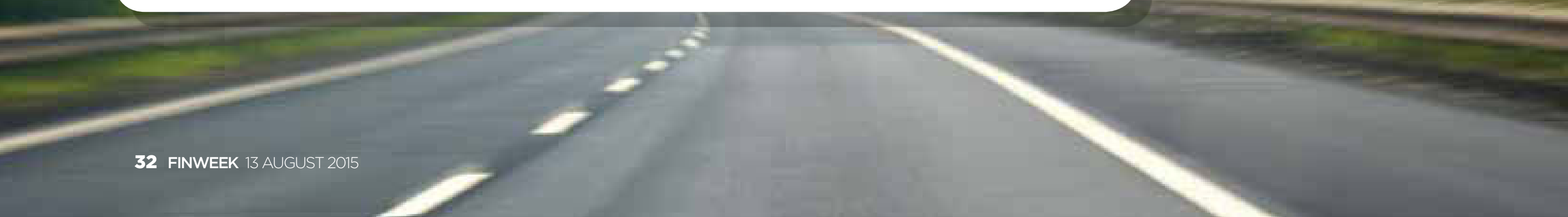
"Subdued levels of economic activity, electricity supply constraints, petrol price inflation, new vehicle price increases, higher interest rates and the impact of higher personal taxation – all continued to contribute to a deteriorating outlook for domestic new vehicle sales," Naamsa said. This is all bad news for Imperial, which is hugely reliant on its imported vehicle division, as well as vehicle retail, rental and aftermarket services in SA and the UK (where it specialises in commercial vehicles).

Imperial could land at R155.80; if it fails to recover beyond R170.55, a short position should be initiated at any price below that level. Stay short through R155.80, as the next support level at R132.45 could then soon be tested. Refrain from selling if Imperial rebounds above R177.50. ■

editorial@finweek.co.za

Moxima Gama Last trade ideas

- BUY **Mediclinic**
- BUY **Growthpoint Properties**
- BUY **British American Tobacco**
- SELL **Richemont**



Gallo Images/iStock

NEDBANK GROUP LIMITED

FINANCIAL RESULTS

for the six months ended 30 June 2015

MAKE THINGS HAPPEN

NEDBANK GROUP

HEADLINE EARNINGS	HEPS	DILUTED HEPS	BASIC EPS	INTERIM DIVIDEND PER SHARE	ROE (EXCL GOODWILL)
▲15,7%	▲13,7%	▲14,1%	▲13,8%	▲16,7%	▲17,3%
R5 323M	1 128 CENTS	1 101 CENTS	1 129 CENTS	537 CENTS	

STRATEGIC **FOCUS AREAS**

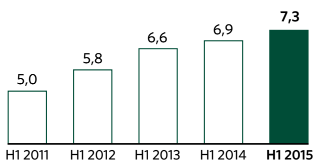
We have made good progress with our five key strategic focus areas and this positions us well for continued growth in a difficult macroeconomic environment with an escalating regulatory agenda. Key highlights included:

CLIENT-CENTRED INNOVATION

Nedbank **MARKET**EDGE™

INSTANT **BOND CALCULATOR**

NUMBER OF CLIENTS (m)



OPTIMISE AND INVEST

- Restructuring of Nedbank Retail and Business Banking (RBB) and Nedbank Corporate and Nedbank Capital into Nedbank Corporate and Investment Banking (CIB).
- Reduction of banking applications by 81 to date.
- Targeting collectively before tax R1bn of revenue and cost synergies within the greater Old Mutual Group (Nedbank, OMSA and Mutual & Federal) by 2017, of which just less than 30% to accrue to Nedbank.
- Investment in technology foundation projects, integrated channels and mobile, regulatory and compliance infrastructure, and the rest of Africa.

OUTLOOK: Medium-to-long-term target – efficiency ratio 50% to 53% (June 2015: 55,8%).

GROW TRANSACTIONAL BANKING FRANCHISE

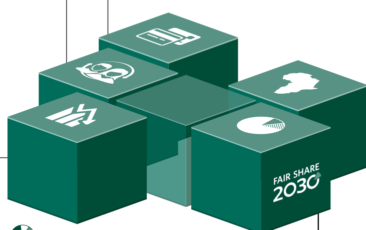
- Growing main banked clients 8% to 2,5m.
- Increasing digitally enabled clients 31%.
- Focusing on cross-sell and collaboration.
- Increasing the value of Nedbank App Suite™ transactions 25% to R35bn.
- CIB winning the eThekwini Metropolitan Municipality.

OUTLOOK: Medium-to-long-term target: NIR-to-expenses ratio > 85% (June 2015: 83,1%) and growing our main banked market share.

PAN-AFRICAN BANKING NETWORK

- One-bank experience across 39 countries.
- Solid performance from rest of Africa subsidiaries.
- A total of 70 of our wholesale clients banking with Ecobank.
- Conclusion of multiple joint deals through Nedbank Group's alliances with Ecobank and Bank of China.

OUTLOOK: Increasing our presence in the SADC and East Africa from the current six to 10 countries over time.



STRATEGIC PORTFOLIO TILT

- Strong profit uplift from early action taken in Home Loans and Personal Loans.
- Revenue and cross-sell opportunities from new CIB model.
- Strengthened focus in growing deposits, transactional banking and the rest of Africa.

OUTLOOK: Medium-to-long-term target – ROE (excluding goodwill) greater than COE plus 5% (June 2015: 17,3%) and maintaining a strong balance sheet with CET 1 within our medium-to-long-term target range of 10,5% to 12,5%.

DELIVERING GROWTH AND VALUE IN A DIFFICULT ENVIRONMENT

'Nedbank Group delivered a strong set of results for the first half of 2015, achieving an increase of 15,7% in headline earnings and a return on equity (excluding goodwill) of 17,3%.

Headline earnings growth was supported by strong non-interest revenue generation and disciplined expense management, resulting in a higher NIR-to-expenses ratio of 83,1%. The credit loss ratio continued to improve and, following our R6bn investment in October 2014 to acquire approximately 20% of Ecobank Transnational Incorporated, earnings from our activities in the rest of Africa grew strongly.

The strategic choices we have made continue to support our ability to grow in an increasingly demanding macro and regulatory environment. We have simplified our businesses and are generating synergies from integrating our Retail and Business Banking Clusters and from combining our wholesale businesses to form Nedbank Corporate and Investment Banking. Our transactional banking franchise continues to strengthen, with growth of 8% in main banked retail clients.

Our expectation of organic growth in diluted headline earnings per share for the year ending 31 December 2015 to be above nominal gross domestic product growth remains unchanged.'

Mike Brown
Chief Executive
4 August 2015

TO BE **AFRICA'S MOST ADMIRED BANK**

MATERIAL MATTERS

In line with much of the global and domestic banking industry, Nedbank faces a difficult macroeconomic environment, an increasing regulatory agenda and strong competition. These are not new to us and are the cornerstones of what we refer to as the material matters that influence our strategy. They are: tough economic conditions and limited visibility; banking relevance amid consumerism and increased competition; increased demands on governance, regulation and risk management; growth opportunities in the rest of Africa; transformation of society within planetary boundaries; and scarce skills (more details available in the 2014 Nedbank Integrated Report, published at **nedbankgroup.co.za).**

REVIEW OF RESULTS

Headline earnings increased 15,7% to R5 323m for the six months ended 30 June 2015, underpinned by strong non-interest revenue (NIR) growth, disciplined expenses growth, ongoing improvement in impairments and faster growth from our activities in the rest of Africa, including associate income from our shareholding in Ecobank Transnational Incorporated (ETI).

Net-interest income (NII) increased 3,7% to R11 675m, as the 9,6% growth in average interest-earning banking assets was partially offset by the net interest margin (NIM) narrowing to 3,36%. Margin pressure resulted as the benefit from endowment income and improved asset pricing was offset by the negative impact of changes in the advances mix as lower-margin wholesale advances grew faster than higher-margin retail advances; holding higher levels of low-yielding, high-quality liquid assets in line with increasing regulatory requirements; and the cost of funding our investment in ETI.

Impairments remained flat at R2 307m, while the credit loss ratio (CLR) improved to 0,77%.

NIR increased 10,2% to R10 450m. Growth was primarily driven by good commission and fee income growth led by net client gains, higher transactional volumes and inflation-related annual fee increases in retail banking. A strong performance from our global-market business on the back of increased client flows assisted trading income growth. Insurance income decreased owing to lower personal-loan volumes and reduced credit life pricing.

Expenses grew 7,4% to R12 578m, reflecting disciplined cost management and traction gained from our 'optimise and invest' strategy to deliver efficiencies through simplifying processes, reducing duplication and rationalising systems.

Associate income increased to R436m and is comprised mainly of the equity accounting of our share of approximately 20% of ETI's fourth-quarter attributable income, as reported in its 2014 full-year results, and first-quarter attributable income, as reported in its 2015 first-quarter trading update, in line with our policy of accounting for ETI earnings a quarter in arrear.

Nedbank Group is well capitalised, with the Basel III common-equity tier 1 (CET 1) ratio at 11,4% – around the middle of our internal target range. Funding and liquidity levels remained sound.

COMMITTED TO **LONG-TERM VALUE CREATION** FOR ALL OUR STAKEHOLDERS

INVESTING IN OUR **PEOPLE**

- Bedded down leadership and structural changes.
- Invested R230m in staff training.
- Supported 111 external bursars.
- Improved staff transformation.
- Remained focused on the core values of accountability, integrity, respect, being people-centred and pushing beyond boundaries.

INNOVATING FOR OUR **CLIENTS**

- 6% more clients chose to bank with Nedbank – total clients now 7,3m.
- Provided 200 Intelligent Depositors, 8 195 point-of-sale devices and 177 net new ATMs since June 2014.
- Paid out R89bn in new loans.
- Launched exciting new innovations such as Market Edge™, Instant Bond Indicator and Business Banking's 'Easy to do credit'.
- Increased assets under management by 11% to R233bn.
- Rated the top manager of SA unit trust funds in Q1 2015 Plexcrown rankings.

DELIVERING TO OUR **SHAREHOLDERS**

- Delivered R1,3bn in economic profit, up 59%.
- Increased interim dividend 16,7%, ahead of 13,7% growth in HEPS.
- Remained focused on our vision to be Africa's most admired bank by judiciously expanding into the rest of Africa, where economic growth is faster than in SA. In West and Central Africa our R6bn investment in ETI provides our shareholders with access to higher earnings growth potential in this market.

PARTNERING WITH OUR **REGULATORS**

- CET 1 capital amounts to 11,4%, around the middle of our internal target range.
- Second-quarter liquidity coverage ratio of 76,3%, above the 1 January 2015 minimum SA Reserve Bank requirement of 60%.
- Contributed to working groups on new regulation.
- Actions and commitments supported responsible banking practices.
- Continue to work with Old Mutual plc and our regulators in SA on the implications of the proposed Twin Peaks regulations to be implemented in 2016.

LEADING IN THE **COMMUNITIES** WE SERVE

- Made banking more accessible and affordable.
- Paid out R27bn in new loans to retail clients.
- Contributed R52m to social development.
- Maintained our level 2 broad-based black economic empowerment contributor status for the sixth consecutive year.
- Remained Africa's only carbon-neutral bank.
- Nedbank and OMEM committed to each invest R100m over three years in initiatives aligned with the NDP, in conjunction with our black business partners.

For further information

This short-form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details.

Any investment decision should be based on the full announcement published on the Securities Exchange News Service (SENS) on Tuesday, 4 August 2015, and also available on our website at **nedbankgroup.co.za**.

Copies of the full announcement may be requested by contacting Nedbank Group Investor Relations by email at **NedbankgroupIR@Nedbank.co.za** and are available for inspection at Nedbank Group's registered office at no charge.

Registered office	Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196 PO Box 1144, Johannesburg, 2000		
Company Secretary	TSB Jali		
Sponsors in SA	Merrill Lynch South Africa (Pty) Ltd, Nedbank Capital		
Sponsor in Namibia	Old Mutual Investment Services (Namibia) (Pty) Ltd		
Reg No	1966/010630/06	**ISIN**	ZAE000004875
JSE share code	NED	**NSX share code**	NBK

A simple and cheap way to get heaps of **diverse exposure**

BY JANA MARAIS

DB X-TRACKERS MSCI WORLD INDEX ETF

Investing in exchange-traded funds (ETFs), which are passively managed investment funds that track the performance of an underlying index, is a cost-effective way to get exposure to the wider market. It is especially ideal for investors who are keen to start dipping their toes into equities. This Deutsche Bank-sponsored ETF offers exposure to 1 644 companies listed on indexes around the world. While traditional funds (funds with units not linked on an exchange) typically only offer the opportunity to subscribe or redeem units at the net asset value on each day, this ETF offers the same trading opportunities as shares on the JSE and is quoted continuously during exchange trading hours.

FUND INFORMATION

Minimum lump sum or monthly investment:	R1 000 or R300 monthly
Total Expense Ratio (TER):	0.68%
Fund size:	R2.9bn
Contact details:	011 775 7824 and db.xtrackers@db.com

ANNUALISED PERFORMANCE (AS AT 30 JUNE 2015)

	db x-trackers	Underlying index (R)	Currency	Underlying index ($)
1 year	14.01%	13.88%	14.4%	(0.45%)
3 year	27.95%	27.92%	14.23%	11.99%
5 year	21.48%	21.47%	9.67%	10.76%
Since inception (1 April 2008)	8.44%	8.47%	5.99%	2.34%

**Based on a lump sum invested with no reinvestment of dividends.*

TOP 10 HOLDINGS (AS AT 30 JUNE)

	TOP 10 HOLDINGS	% OF FUND
1.	Apple Inc	2.16%
2.	Exxon Mobil Corp	1.03%
3.	Microsoft Corp	1.02%
4.	Wells Fargo & Co	0.82%
5.	Johnson & Johnson	0.8%
6.	General Electric Co	0.79%
7.	JPMorgan Chase & Co	0.75%
8.	Nestlé SA	0.69%
9.	Novartis AG	0.67%
10.	Procter & Gamble	0.63%
	TOTAL	**9.36%**

Fund manager insights

The popularity of db x-trackers is evident as its five exchange-traded funds (ETFs) have grown to such an extent that they now have more than R10bn in assets under management (AUM). Its US-linked ETF, with AUM of R3.3bn, is proving the most popular. The other options are UK, Japan, Eurozone and World.

Wehmeyer Ferreira, head of db x-trackers South Africa, says the World Index ETF offers a great opportunity for investors to diversify their portfolios. "There are things playing out all over the world that are negative to a degree for equity markets. The benefit of a world fund is that you get access to a broad base to spread risk around."

Currently, the World ETF is skewed towards the US, which makes up 57% of the country allocation. Other major markets include Japan (9%) and the UK (8%), while Canada, France and Switzerland account for 4% respectively, and Germany and Australia for 3% each. On a sector basis, 23% of the fund is invested in non-cyclical consumer businesses, 21% in financial, 11% in industrial and 11% in cyclical consumer businesses.

With the rand at 14-year lows, is it wise to invest in a fund that is denominated in US dollars? Ferreira says db x-trackers advise investors not to look at the value of the rand in absolute terms. "We advocate that, if the majority of your savings are based in South Africa, you have substantial rand exposure. We are great believers in diversification, in terms of country and currency exposure."

WHY *FINWEEK* WOULD CONSIDER ADDING IT

With low management fees and broad geographic exposure – 23 countries are included in the index – this ETF offers a cheap and effective opportunity for retail investors to diversify their portfolios and hedge against the rand. There is also very little red tape and no exchange control limits are involved, as you can invest directly through the JSE. There is therefore no need to open an offshore trading account. ■

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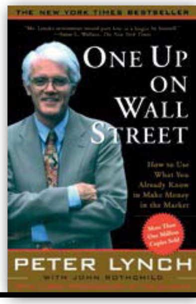
Must-read books for investors

BY SIMON BROWN

I love reading and generally my aim is to read 100 books a year – 50 fiction and 50 non-fiction titles. In truth, it has been decades since I managed to finish 100 in a year, but I still read as much as possible. This week I want to suggest six books for traders and investors. I could compile a much longer list, but this is a great place to start in order to grow your knowledge of trading and investing.

1. *ONE UP ON WALL STREET*

BY PETER LYNCH



Published back in the 1980s, it remains as relevant today as ever. Lynch writes in a conversational tone using an easy-to-understand style, and his suggestions for how to select winning stocks are practical and easy to integrate into our existing investment practices.

2. *THE EFFECTIVE INVESTOR*

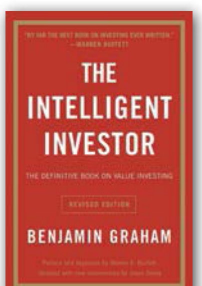
BY FRANCO BUSETTI

This is a more advanced read than *One Up on Wall Street*, but it is well worth it. Since this book was written for the local market, all the examples used are companies that we know and understand. What I really like about this book is that Busetti pokes a lot of holes in conventional investing wisdom. I especially liked the chapter in which he pulls apart economists' ability to predict the future. Using the rand/US dollar exchange rate over a decade, he shows that projections for future levels of the currency were simply never right, not once. Now, sure, he was socking it to economists, but the theory applies to anybody trying to predict the future.

3. *THE INTELLIGENT INVESTOR*

BY BENJAMIN GRAHAM

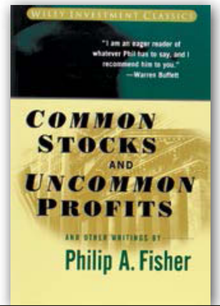
This is the number one book for many, as Graham is the father of value investing and the man who got Warren Buffett interested in stock markets. That said, this book is a tough read but the author's formulas for value investing remain valid. But I must warn readers that last year I scoured the JSE looking for counters that met one of the two formulas presented by Graham for true value stocks, and out of the entire universe of JSE stocks not one met his criteria.



4. *COMMON STOCKS AND UNCOMMON PROFITS AND OTHER WRITINGS*

BY PHILIP A. FISHER

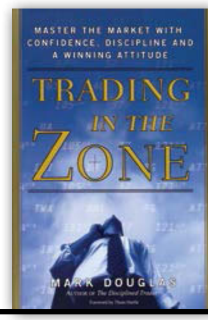
While Warren Buffett started life as a value investor, he is now a Fisher disciple and a follower of this book. This is a great practical title that really delves into the process of finding awesome stocks to invest in. Again, like Lynch, Fisher uses practical theories that do require an advanced degree to understand and this book probably helped my investing more than any other I have read.



5. *TRADING IN THE ZONE*

BY MARK DOUGLAS

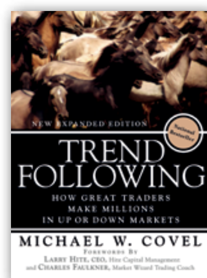
This is one title I would recommend for traders. More than anything, trading is about psychology and nobody understands and explains this better than Douglas. This is another book that's not easy to read – there are no pictures or funny anecdotes – but it remains the most important book on trading I have ever read. I reread this book every December holiday and have done so since it was published back in 2001.



6. *TREND FOLLOWING*

BY MICHAEL COVEL

This is another book for traders. I am a firm believer in trading the trend and while this book doesn't give any systems on how to do this, it does make the case for trend trading with many examples. It also explains the shortcomings the concept has.



Now, of course, this list is not exhaustive and no pile of books will turn you into a top trader or investor. But they can teach us a great deal, and more importantly reading gets us thinking and that thinking will help us define our own personal strategies for the markets. ■

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ArcelorMittal in the abyss: Is it time to buy?

BY MOXIMA GAMA

Many have asked if ArcelorMittal South Africa (Amsa) has reached the bottom yet, either because they're at their wits' end with their investment in the steelmaker, or they wish to be the early bird that catches the share at rock-bottom prices.

With the stock down 85% over the past five years, and down 63% over the past year, Amsa shareholders have had a tough time. Much of this negative sentiment is due to weak demand and oversupply in the global steel market, although domestic issues such as a furnace failure at its Newcastle plant, rising costs and electricity constraints, have added to its woes.

The loss-making steel producer – Africa's largest producer of the metal – has asked government to impose a 10% import duty on steel to provide some protection to local producers (also see page 15). Cheap steel imports are said to total about 1.6m tons a year, a substantial amount considering SA's domestic production totalled 7.2m tons in 2014, according to estimates from the World Steel Association.

Amsa's biggest rival, Evraz Highveld Steel & Vanadium, entered business rescue proceedings in July and was forced to halt production in an attempt to save costs. Amsa has also warned that it may have to shut or partially shut its Vereeniging operations, where operations started in 1911. A decision on the future of the plant, which employs 1 200 people, will be made by the end of August. Highveld, which is majority-owned by Russian oligarch and Chelsea football club owner Roman Abramovich's Evraz group, may retrench nearly half of its 2 240 employees while it seeks new funding.

With steel prices under pressure, it is hard to see any upside for the industry at this point. Globally, major low-cost producers are unlikely to cut output, as they are using the low market prices to gain market share and force high-cost producers out of business, according to a review from Basemetals.com. In addition, cheap oil prices will keep shipping costs low for the seaborne market – further helping them in that respect. This is basically a supply and demand matter, and with global steelmakers' input costs (iron ore and energy) falling, low-cost producers will look to boost revenues by increasing exports, all of which is likely to further weigh on prices.

LIKELY SCENARIO: A potential change in sentiment was signalled by the weekly RSI breaching its medium-term resistance trendline two weeks ago. The monthly RSI also bounced from a five-month oversold position. Upside above R15.50 on the price chart would end the steeper bear trend, and possibly fuel gains to either the R27 mark or the major resistance trendline. A positive breakout out of the long-term bear trend would be confirmed above R30.10, where investors should initiate an aggressive long position. At this point investors could buy marginally above R15.50 and again above R20.70.

ALTERNATIVE SCENARIO: Abandon the position below R10.20 as Amsa could head towards its all-time low of R2 a share. ■

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ARCELORMITTAL SA

SOURCE: MetaStock Pro (Reuters)

52-week range:	R10.22 - R42.25
1-year total return:	-60.65%
Current P/E ratio:	-
Market capitalisation:	R6.6bn
Earnings per share:	-R0.82
Dividend yield:	-
Average volume over 30 days:	545 344

SOURCE: Bloomberg.com

Simon's stock **tips**

BY SIMON BROWN

WHAT'S THE DEAL WITH PINNACLE AND DATACENTRIX?

Pinnacle's sale of Infrasol to Datacentrix goes a long way in helping Pinnacle with its debt issue, but perhaps it also shows the two companies working together. This is a good deal considering Pinnacle owns 33% of Datacentrix and could maybe (I stress the maybe) see a merger of sorts between the two companies as opposed to the initial plan that appeared to be a takeover of Datacentrix by Pinnacle. 36One owns 10% of Datacentrix and 7.24% of Pinnacle. With Pinnacle almost a third larger than Datacentrix (and its 33% stake) it would not be a merger of equals but could solve the problem Pinnacle ran into when its share price collapsed and it couldn't conclude the expected offer to Datacentrix minorities using high-valued Pinnacle shares. The takeover route is of course still open, albeit a case of needing to raise debt rather than using shares, but with Pinnacle's debt situation improving it's possible. But why would Datacentrix management close the above deal if it only helps a takeover?

CURRO WALKS AWAY

Curro has backed down from its proposed 1 300c offer to AdvTech shareholders. A fairly terse Sens from Curro stated that it would be withdrawing and thanked the over 50% of AdvTech shareholders who supported the offer verbally or in writing. I am surprised Curro walked away so easily. I think the merged group would have been good for shareholders – something I have taken a lot of flak for. But AdvTech mounted a strong defense, most notably at its AGM where a number of resolutions were voted against by over 40% of those attending. So for now the two companies remain separate and the AdvTech management team needs to prove that it was right in rejecting the Curro offer.

Curro Roodeplaat School in Pretoria, South Africa.

Gallo Images/Foto24/Theana Breugem

TOUGH ROAD AHEAD FOR ELLIES

The Ellies results were as expected – horrid – but now the really hard work starts for the company. Its debt is more or less sorted; the rights issue done (even if it was a close call) and next up is the splitting of the company. This business then needs to get back on track by making profits and winning back investor confidence.

SITTING TIGHT

Frankly the Grindrod trading update looked better than expected with weighted (adjusted for new shares issued) HEPS for the six months ending June only expected to be 14% to 18% lower. That said, the company really needs a positive turn in commodities to fire on all cylinders. But this is the new-look Grindrod, with strong logistics helping to offset weak terminals and tail businesses; the latter being hurt by weak commodities. Aggressive investors may well want to start picking up some Grindrod here, but I am waiting. Firstly, this is not a buy-and-hold stock as its business is always going to be cyclical in nature. Secondly, I hate buying early and would rather wait for some signs of a turnaround.

CAN YOU HANDLE MID-CAPS?

After almost trading above 77 000 in April, the MidCap Index has been under pressure as it now trades at around the 67 000 level – the issue is how this index is constructed. Being the MidCap Index, the stocks are listed at positions 41 to 100 on the JSE according to market-cap size. So you get the rising stars such as EOH, Nepi and Curro, but you also get the falling stars such as Implats, Grindrod and AECI. At times the rising stars will win out and the overall index will rise, but currently the falling stars are winning the day. This index will always offer some volatility, but if you can handle the ride over time it is a winning index. ■

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Peregrine: A growing specialised player

BY SHAUN MURISON
Market analyst at IG

Investment holding company Peregrine Holdings, with a portfolio of wealth and asset managers operating in a relatively niche space, showed in its last set of results that business is going well. Headline earnings per share (HEPS) grew a further 29.8% in the year to end March (+48.6% in the 2014f financial year), with the strong earnings performance and increased cash generation equating to a 50% increase in the company's final dividend offering. The earnings growth sees Peregrine still trading on a relatively modest price-to-earnings ratio (P/E) of 12 times, while the increased dividend offering, which now nears a yield of 5%, provides an attractive underpin to the investment case.

As noted by the group's CEO Jonathan Hertz, most of the group's business segments saw double-digit earnings growth in the last financial year.

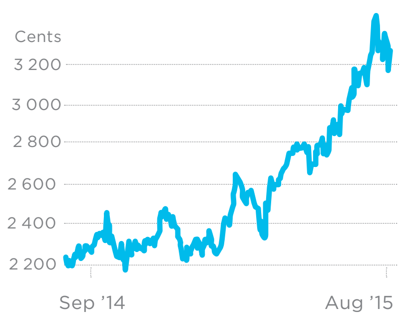
Jonathan Hertz
CEO of Peregrine Holdings

The business segments include Wealth and Asset Management, Brokering and Structuring, Stenham and Advisory. Peregrine has diversified well into the aforementioned segments, which have a relative dominance within the specialist areas of the markets in which they operate.

The diversification within these niche segments have proven effective – a weaker result in the performance fees from the wealth management division was largely offset by stronger performance fees generated in the asset management business, in particular in the hedge-fund division.

Peregrine has accumulated a cash pile of around R2bn, which provides room for the likely pursuit of further acquisitions to enhance earnings as it has done successfully in the past. In the last financial year the group increased its holding in the asset management business Stenham from around 71% to 81%, increasing its share of profits. The investment in Java Capital in the last financial year has added an advisory mandate into the brokering business as well as brought further assets under management to the company.

Peregrine Holdings Limited



52-week range:	R21 - R34.61
Price/earnings ratio:	12.04
1-year total return:	52.7%
Market capitalisation:	R7.29bn
Earnings per share:	R2.71
Dividend yield:	4.6%
Average volume over 30 days:	663 525

SOURCE: Bloomberg.com

PEREGRINE HAS ACCUMULATED A CASH PILE OF AROUND R2BN, WHICH PROVIDES ROOM FOR THE LIKELY PURSUIT OF FURTHER ACQUISITIONS TO ENHANCE EARNINGS.

Annuity income for Peregrine has progressed favourably to a healthy 51% of the group's income. This is a level the company would be looking to maintain going forward, as it provides more certainty in earnings than of the more volatile nature of variable incomes (which have reduced as a proportion of the company's income) within the group.

An investment into Peregrine Holdings in early 2013 would have provided a capital gain in excess of 200% to date, with further yield being realised from a dividend which has progressed well. While history provides no certainty of future outcomes, the strong earnings growth (which has essentially doubled in the last two years) has supported share price gains and maintained an inexpensive valuation relative to the overall market.

Peregrine is a well-diversified local leader in a number of highly specialised areas in the market and certainly warrants inspection for those looking for a long term exposure within the wealth and asset management space. ■

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momentum
health
PMR TOP 3
SERVICE AWARD
116 147
principal members
claims ratio
82%
non-healthcare costs
<15%
42.4
average age of principal members
31.6%
solvency
GCR
AA
22
benefit options available
Provider Choice
Health Platform
Mobile
HealthSaver
>R200m
HealthReturns
R5 400
Our report card is
in and the future
is looking bright!
www.momentumhealth.co.za
momentumhealth.mobi

How much **"cheaper"** can the **stock market** get?

BY SCHALK LOUW
Portfolio manager at PSG Wealth

I am amazed by the fact that although my daughters are growing older and, as a result, want less and less to do with Mom and Dad, they still teach me a life lesson or two every day. At ages 15 and 16 respectively, they already have a firm understanding of the concept of a discount. A few months ago, with winter barely beginning, I was told that there was a "once-in-a-lifetime" 10% discount on all winter wear at their favourite clothing store. I couldn't help smiling when I happened to walk past this very store earlier this week, only to see that there is now a 25% discount on all winter items.

The fact is that those who took the chance and waited now got those items for much cheaper. The other side of the blade is just as sharp, however, because if you had waited for the 10% discount to pass in the hopes of a bigger discount, you would have missed out completely had the bigger sale never materialised.

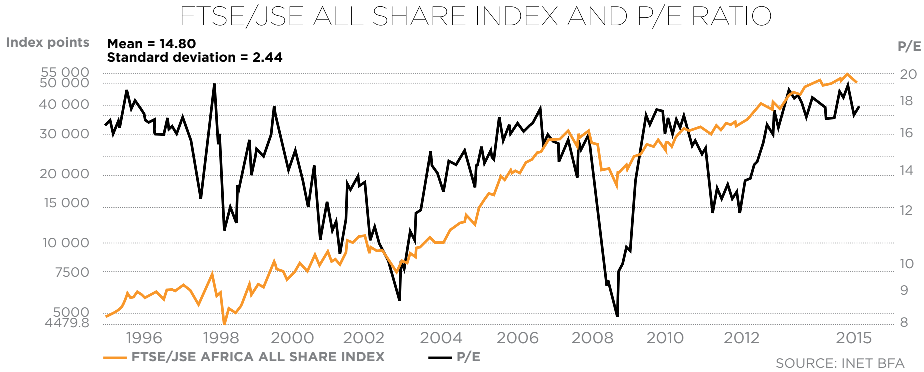
Equity investors worldwide are now faced with the same choice with regard to filling up their investment baskets. Since August, the stock exchange has lost nearly 8% of its value, leaving the market at the same levels as in January this year. Is this the buying opportunity that investors with lots of cash have been waiting for? Or should they take a chance on a possible larger discount? Before I try to answer this, I'm going to explain roughly how to determine whether the market is really trading at a discount.

SINCE AUGUST, THE STOCK EXCHANGE HAS LOST NEARLY **8%** OF ITS VALUE, LEAVING THE MARKET AT THE SAME LEVELS AS IN JANUARY THIS YEAR.

A very popular benchmark that can be used to determine how cheap or expensive a share is, is the historical price-earnings ratio (P/E). The P/E is the relation between the share price and the company's earnings per share (profits). It is calculated by dividing the share price by the company's last reported earnings per share (usually at year-end or half year-end). The P/E usually moves in the same direction as the share price.

Let's say that Share A is trading at R10 and the most recent earnings per share (EPS) figure is R2. The P/E would be 5 (R10 ÷ R2), or 5 times. If Share A's price were to rise to R12, the P/E would rise to 6. If the company increased its earnings by 25%, the EPS would rise to R2.50. If the share price still traded at R12, the P/E would then drop to 4.8. This gives us a fairly good indication of just how cheap a share really is.

FTSE/JSE ALL SHARE INDEX AND P/E RATIO



Looking at the accompanying graph, you will notice that the average P/E of the FTSE/JSE All Share Index since 1995 was 14.8 times.

That means that at the current 17.7 times levels, we are definitely trading on the more expensive side and have not yet necessarily reached those "once-in-a-lifetime" trading opportunity levels, especially if we take into account how many times during the past four years (after the great correction of 2008) we fell below the 13 times levels.

At this stage it may be difficult to believe that it will happen in the near future, but with the economic climate having changed as much as it did over the past year (higher interest rates, weaker rand, etc.), this market may very well be purchased at that proverbial 25% discount (compared to end of 2014), should it move back towards the 13 times P/E.

So should we stay away from shares for the time being? This answer will differ from individual to individual, and will depend on their respective investment horizons.

It can be said, however, that for those currently invested in shares, these surely are uncertain times. That being said, however, these movements are as natural as every end-of-season sale. The key is to keep your emotions away from your money and invest your hard-earned capital in well-managed, high-quality companies. ■

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Directors' Dealings

Company	Director	Transaction Date	Transaction Type	Volume	Price (c)	Value (R)	Date Modified
ARGENT	TR Hendry	30 July	Purchase	500	486	2,430	31 July
ASTRAL	R Steenkamp	31 July	Purchase	450	16773	75,478	3 August
BSI STEEL	C Parry	31 July	Sell	25,000	50	12,500	4 August
BSI STEEL	C Parry	27 July	Sell	18,500	50	9,250	29 July
BSI STEEL	C Parry	28 July	Sell	30,340	50	15,170	30 July
BSI STEEL	C Parry	3 August	Sell	226,160	49	110,818	5 August
BSI STEEL	NG Payne	27 July	Purchase	10,000	48	4,800	30 July
BSI STEEL	NG Payne	28 July	Purchase	40,000	50	20,000	30 July
FORTRESS	C Hallowes	31 July	Purchase	13,000	1600	208,000	5 August
GROWPNT	NBP Nkabinde	15 February	Purchase	4,000	2965	118,600	29 July
HOLDSPORT	KG Hodgson	27 July	Sell	200,000	5134	10,268,000	30 July
HUDACO	CV Amoils	28 July	Sell	5,447	13070	711,922	29 July
INVICTA	CH Wiese	27 July	Purchase	90,000	6296	5,666,400	29 July
INVICTA	CH Wiese	29 July	Purchase	726	9000	65,340	30 July
INVICTA	CH Wiese	3 August	Purchase	1,274	9000	114,660	4 August
SABMILLER	CA van Kralingen	3 August	Sell	15,000	£34.5399	£518,099	4 August
LODESTONE	G Trope	30 July	Purchase	803	685	5,500	3 August
LODESTONE	G Trope	30 July	Purchase	2,000	694	13,880	3 August
LODESTONE	G Trope	30 July	Purchase	197	697	1,373	3 August
SPAR	PK Hughes	29 July	Exercise Options	1,500	2900	43,500	5 August
SPAR	PK Hughes	29 July	Exercise Options	110,000	3036	3,339,600	5 August
WINHOLD	WAR Wenteler	31 July	Purchase	9,825,571	65	6,386,621	3 August
EQUITES	A Taverna-Turisan	3 August	Purchase	42,000	1190	499,800	4 August
FAMOUS	D Hele	4 August	Sell	20,000	12800	2,560,000	4 August
CI GROUP	R de Villiers	29 July	Sell	10,000	3070	307,000	3 August
VODACOM	PJ Moleketi	31 July	Purchase	15,000	14337	2,150,550	3 August
ADCORP	PC Swart	4 August	Transfer to trust	243,375	3300	8,031,375	4 August
TASTE	E Tsatsarolakis	30 July	Exercise Options	300,000	43	129,000	31 July
TASTE	E Tsatsarolakis	30 July	Sell	300,000	440	1,320,000	31 July
NETCARE	J du Plessis	28 July	Exercise Options	160,000	838	1,340,800	31 July
NETCARE	J du Plessis	28 July	Sell	160,000	4000	6,400,000	31 July
NETCARE	M da Costa	28 July	Exercise Options	160,000	838	1,320,000	31 July
NETCARE	M da Costa	28 July	Sell	86,169	3995	3,442,555	31 July
LODESTONE	G Trope	30 July	Purchase	803	685	5500	31 July

Dividend ranking

SHARE	FORECAST DPS (c)	FORECAST DY (%)	SHARE	FORECAST DPS (c)	FORECAST DY (%)
EQSTRA	24	11.9	EMIRA	134	7.8
REBOSIS	109	9.2	OCTODEC	192	7.7
LEWIS	539	9.1	ASSORE	580	6.9
VUKILE	148	8.1	ANGLO	1041	6.9
ACCPROP	54	7.8	REDEFINE	80	6.9

A **baby-product e-tailer** that goes beyond just selling

BY JON PIENAAR AND MANDY DE WAAL

A British former tank commander who served in Iraq and Afghanistan, James Townsend-Rose made an about-turn, trading in combat for e-commerce. But there's much he learnt in the military that's helping him perfect customer experiences, and manage a happy, hard-working team.

James Townsend-Rose says good, clear communication is the grease that helps the wheels of business turn smoothly.

Images: Jon Pienaar

No matter how many birth classes you've attended, or baby books you've read, nothing can quite prepare you for the life-changing event that is having a child.

Having a baby can be very costly and stressful: you only want the best for your child, but how do you know if you're doing the right thing?

Military man turned entrepreneur, James Townsend-Rose was studying for his MBA in 2011 when his baby was born. At the time he had left the UK army, and wanted to start his own business.

"Being a new father steered me towards the parenting industry – probably because I was spending so much money – I thought this was a huge opportunity," he says.

He saw a real opening in e-commerce. "It's super convenient," he enthuses, listing the advantages that online retail offers moms and dads: "Parenting is an expensive period and e-commerce prices can be more keen." Online stores don't need to have brick-and-mortar outlets, which allows them to be a lot more nimble in the way they do business. The big convenience, of course, is that new moms get the items they want delivered directly to their front doors.

BabyGroup was started in 2012, with a focus on differentiating itself through service: a personalised touch, individual attention and a strong community. Townsend-Rose maintains that BabyGroup's greatest differentiators are customer excellence, community and content. From the start the online store's focus was mastering social media in general and Facebook in particular.

Before founding BabyGroup, Townsend-Rose spent six years in the Cavalry Division (which is the tank division) of the British Territorial Army. He did tours in Iraq at the height of the Iraqi War, followed by a combat tour in Afghanistan. But when he met his wife-to-be, Townsend-Rose decided to change careers. He had joined the army for adventure, travel and an outdoors-type career, but the prospect of marriage and children made him much more risk-averse.

After their wedding, Townsend-Rose and his wife took a year off to have an "adventure" – driving from England to South Africa by car. Once the bride and groom got to Botswana, Townsend-Rose had decided to broaden his education with an MBA, and enrolled at the

University of Cape Town. The happy couple arrived in the city five weeks before the course was due to start.

During his studies, Townsend-Rose met his future business partner, Henri Holtzhausen, who helped him decide on, and set up, the online baby-goods business. Two and a half years later, the business is going strong, and has built a solid brand, supplying baby products to parents across SA.

Townsend-Rose says important skills he learnt in the army that have helped him in business include leadership skills, communication, the ability to manage a team well, and the ability to live in a community.

"We have created a community of moms and dads through our social media channels, through our blogs, through our forums, so we are more of a community than a retail store," explains Townsend-Rose.

"This gives moms [BabyGroup's biggest customers are mothers] a forum to share ideas, whether it be about anything from how to breastfeed to C-section versus natural birth, down to product selections. If there are 1 600 different product selections, which one should you choose? If you go to a retail bricks-and-mortar store, you're going to get one person's opinion, and this person will be the sales person. Inevitably this sales assistant doesn't necessarily know that much about all of the different brands. But on a digital platform, you've got hundreds of moms you can talk to all the time," he says.

BabyGroup's Facebook page links to articles that provide advice on any number of pregnancy, birth or baby-related issues, which are written by midwives, nurses and "mommy bloggers". The community that the company has created on Facebook is incredibly active and discusses a wide range of topics.

BUSINESS LESSONS FROM JAMES TOWNSEND-ROSE:

EMPOWER YOUR "TROOPS"
Set a common goal for the business and allow all your staff members to work towards achieving that goal within given boundaries. Set the goal and the boundaries, but allow your staff to get there on their own, and in their own way. Keep your door open and encourage your employees to come to you to discuss problems. Be a part of the problem-solving process, but understand that your people need to be empowered to solve problems on the ground and to make changes themselves on a day-to-day basis.

COMMUNICATE WELL
Active listening is important. Give clear direction to people in such a way that they can understand exactly what you need them to do. Be cognisant of the fact that there is always a huge opportunity for misunderstanding in everything that you tell anyone to do. Ensure that people understand you – for example, ask people to repeat what you've just told them. Let's face it, we're all human and we tend to not listen at times. Check in with them the next day to see if what you've asked them to do, is being done. Give feedback and give them the opportunity to ask questions. These things all seem obvious, but they make all the difference.

Growing an online brand is all about focusing on the things that matter most to customers, like paying attention to detail and adding a personal touch.

BabyGroup's website is laid out with almost military precision, but with mom-friendly aesthetics. One can search or browse through categories like Clothing, Feeding, Changing, Safety, Travel or Books & Music. There's even a special section for Mom. Within these categories one can search by age group, price and brand. One of the specialised searches is "Eco-friendly".

Townsend-Rose instituted a system of "landmark purchases", meaning that for the first, fifth and every subsequent five purchases, the purchase is gift-wrapped. Hand-written notes accompany these and other "special" purchases. This all happens in a self-contained mini-warehouse in Woodstock, Cape Town, where offices adjoin the despatch area. A small office has been turned into a studio where products can be photographed for the website.

BabyGroup has grown into a thriving business that is now diversifying by producing its own line of customised baby-wear. By focusing on looking after existing customers, it has been able to consolidate and grow its customer base using social media and word of mouth as drivers. ■

editorial@finweek.co.za

The BabyGroup warehouse is organised with military precision. A boon for the brand is not having to pay retail outlet rentals, which means that the online store can keep its prices affordable.

Vodacom Business Africa targets opportunistic growth

BY GUGU LOURIE

Vodacom Business Africa is currently targeting growth in Nigeria and Zambia as part of its customer-led investment strategy. The firm is also looking at expanding into Morocco, where it is seeing a proliferation of multinationals setting up businesses.

Vodacom Business Africa already has hubs in West, East and Southern Africa, but not yet in the North African region. The firm views Morocco as an important hub as many customers are moving or setting up operations there, chief officer of Vodacom Business at Vodacom Group, Vuyani Jarana, told *Finweek*.

At growth of about 5%, Morocco is expected to emerge as the fastest-growing economy in North Africa this year, as the new consensus government ends a period of uncertainty and paves the way for bolder economic reforms, according to the Institute of International Finance.

The enterprise arm of Vodacom, a cellphone operator owned by British mobile giant Vodafone, already has points of presence in 27 countries in Africa including Ghana, Kenya, Nigeria, Angola, Equatorial Guinea and Zimbabwe, and services about 40 countries.

Vodacom Business Africa has one of the largest enterprise business footprints on the continent, which it gained through the $700m (at the time R5.1bn) acquisition of African network and satellite services firm Gateway Communications in 2008.

It competes for enterprise customers with Africa's largest mobile phone operator MTN and French telecoms group Orange in the rest of Africa.

In 2012, Vodacom Business Africa sold non-core assets of Gateway Carrier Services for R220m and kept the enterprise segment. In conjunction with Vodafone Global Enterprise, Vodacom Business Africa serves multinational clients across Africa and globally.

Vodacom Business Africa is targeting more growth opportunities in the enterprise space as part of its expansion drive after modernising its Multiprotocol Label Switching (MPLS) network across the continent. The MPLS network offers a highly scalable method for carrying data quickly and efficiently, especially for corporates.

FIBRE IN ZAMBIA AND NIGERIA

Vodacom Business Africa has also been modernising its fully-fledged networks in some of its big hubs. It's currently seeking ways to diversify its revenues in both Zambia and Nigeria, with Jarana saying the Zambian market is a very good story for the company. "In a sense it's a business that continues to accelerate. It also continues to give us a foothold in both the consumer and enterprise space," he explained.

The firm currently operates an Internet service provider in Zambia, focusing on the consumer market and is also looking at high-value residential areas on a targeted basis.

"We are starting to look at fibre-to-the-homes [FFTH] in Zambia," Jarana said. However, it was an "opportunistic move", rather than an aggressive all-out investment.

"We are very clear and thoughtful about how we invest," he said. The firm will only start a fully-fledged investment in areas once it has tested how the market responds. "So, it's a very balanced risk and opportunity model."

Vodacom Business Africa provides full ICT services in Nigeria for the enterprise segment and is expecting competition to heat up as rivals MTN, Etisalat, Airtel and Glo Nigeria enter the same space. Jarana said the company is geared for competition.

The firm believes a wireless network is still the best way to deliver broadband in Nigeria, as such a network is more stable, he said. "Down the line we think we'll consider fibre. For us fibre in Nigeria is more opportunistic, rather than a definite strategy."

Meanwhile, Vodacom in South Africa is banking on its yet-to-be concluded acquisition of Neotel to accelerate roll-out of FTTH and fibre-to-the-business. ■

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Vuyani Jarana
Chief officer of Vodacom Business

TEST YOUR **KNOWLEDGE**

It's time to give that brain some exercise! Complete the online version of this quiz on finweek.com to find out the answers. Matthew Bell got all the questions right in the 20 July quiz. He wins a copy of *How South Africa Works and Must do Better* by Jeffrey Herbst and Greg Mills. Congratulations!

1 Which local bank recently experienced a system outage that affected its internet and mobile app offerings?

2 **True or false?**
Stagefright is a vulnerability affecting Windows phones.

3 **True or false?**
In last week's edition, in a story titled *A tale of two Brics*, we wrote about South Africa and Russia.

4 **True or false?**
Thuli Mpshe is the new acting CEO of SAA.

5 Who is Paul O'Flaherty?
- The president of Ireland
- A UK rock singer
- The CEO of ArcelorMittal SA

6 Recently, two fuel tankers collided on the N2, causing an inferno that shut down the highway for hours. In which city did this occur?

7 Recently Julius Malema's case, in which he was accused of money laundering, fraud and racketeering in Limpopo, was struck off the roll. Name the company involved.
- MGB Ltd
- Golden Baobab Holdings
- On-Point Engineering

8 Of which company is Sifiso Dabengwa the CEO?

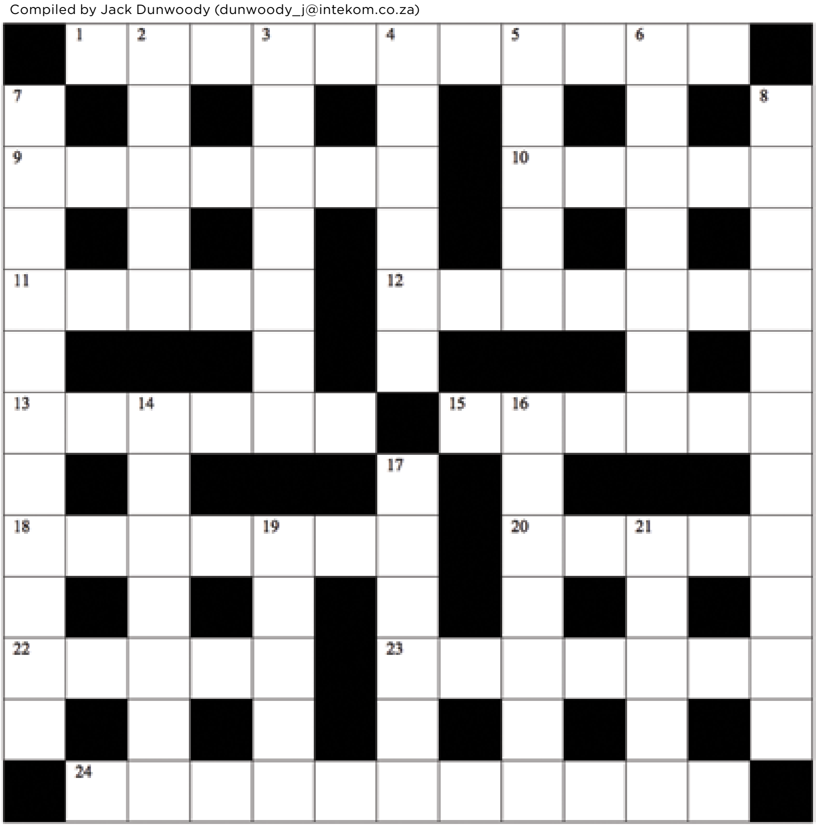
9 **True or false?**
Woolworths owns the local clothing retailer Aca Joe.

10 What country does the Indian Ocean island of Réunion belong to?
- It *is* a country.
- France
- The UK

CRYPTIC CROSSWORD

NO 594 JD

Compiled by Jack Dunwoody (dunwoody_j@intekom.co.za)



ACROSS

1 Angels Delight? (4,7)
9 Bury, say, in one, for example (7)
10 Man in the witness box (5)
11 Tokyo involved in climate change protocol (5)
12 Stayed the course to finish work on diamonds (7)
13 Hang off the deep end , we hear (6)
15 Occasionally models fashion (6)
18 See the girl before I do? (7)
20 Dramatist previously cited nurse (5)
22 Covering past game (5)
23 Fencer trying to baffle his opponent? (7)
24 Graduation time (11)

DOWN

2 Opening with a short prayer (5)
3 Hang Rob high for having a witch for a mother (7)
4 Played but then I had to exit stage left (6)
5 Falls short of fleet (5)
6 Prepared to mentor journalist (7)
7 Marked out a role as a censor? (6,5)
8 Stand out before title in a note (11)
14 Undertaker's margin in case of commoner reduced by 25% (7)
16 Sleeper car is introduced between Egyptian and Moroccan capitals - what snobbery! (7)
17 Direct English entrant to midshipman (6)
19 Steamship tracks rough bay into the Gulf (5)
21 Shoot younger member of noble family (5)

Solution to Crossword NO 593 JD

ACROSS: 1 Sweetmeal; 8 Rot; 9 Agreeable to; 11 Sparrow; 12 Iliad; 13 Myself; 15 Hyaena; 17 Lassa; 18 Remnant; 20 Independent; 22 Eon; 23 Red grouse

DOWN: 2 Wag; 3 Their; 4 Elbows; 5 Leerily; 6 Proliferate; 7 Steadfast; 10 Reassessing; 11 Simulated; 14 Leander; 16 Trepid; 19 Manor; 21 Nos

ON MARGIN

SOCIAL MEDIA MANNERS

Peter White from Holbrook, Derbyshire, in the UK caused quite a stir on social media this week with a letter he wrote to a newspaper that went viral:

"Sir: I haven't got a computer, but I was told about Facebook and Twitter and am trying to make friends outside Facebook and Twitter while applying the same principles.

Every day, I walk down the street and tell passers-by what I have eaten, how I feel, what I have done the night before and what I will do for the rest of the day. I give them pictures of my wife, my daughter, my dog and me gardening on holiday, spending time by the pool.

I also listen to their conversations, tell them I 'like' them and give them my opinion on every subject that interests me… whether it interests them or not.

And it works. I already have four people following me: two police officers, a social worker and a psychiatrist."

BIRD SHOPPING

One day a man goes to a pet shop to buy a parrot. The shop assistant takes the man to the parrot section and asks the man to choose one.

The man asks: "How much is the yellow one?"

The assistant says: "R20 000."

The man is shocked and asks the assistant why it's so expensive.

The assistant explains, "This parrot is a very special one. He knows how to use a computer and can type really fast."

"What about the green one?" the man asks.

The assistant says: "He costs R50 000 because he knows how to use a computer, can answer incoming telephone calls and takes notes."

"What about the red one?" the man asks.

The assistant says: "R100 000."

The customer is shocked. "What does *he* do?"

The assistant says: "I don't know, but the other two call him 'boss'."

EXAM TIME

Q: Who shaves every hour every day and still has a beard?
A: The barber.

Q: What's blue and not heavy?
A: Light blue.

"Sir... a word about the new office furniture?"

VERBATIM

Karin Richards @Richards_Karin
This is not primary school Ellies. Hiding your F- report card on a Friday afternoon will not save you from the inevitable spanking.

Russell Lamberti @RussLamberti
If you can't feel the icy chill of the dollar liquidity winter, maybe you're numb drunk on bull market ale.

Tom Eaton @TomEatonSA
Right now there are dozens of peaceful nations praying that #Phiyega keeps her job so she isn't redeployed to them as an ambassador.

Keith McLachlan @keithmclachlan
Buying a share ONLY because its share price has fallen a lot is a lot like buying a second-hand car just because it was in an accident.

Steve Burns @SJosephBurns
A trader should look at a chart for what it is, and not for what he wants it to be. @OzarkTrades

Frans de Klerk @TraderFrans
Lonmin – take a photo – can it close positive today?

Mel Brooks @Mel_BrooksSA
Is there a politician alive who stands for anything other than re-election?

"Politicians are the same all over. They promise to build a bridge even where there is no river."

– Nikita Khrushchev (1894-1971), former Russian politician who led the Soviet Union during part of the Cold War.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YOUR WEEKLY TECHNOLOGY FIX
TECH BUSTERS
TWO OF THE COUNTRY'S TOP TECH JOURNALISTS AKI ANASTASIOU AND TOBY SHAPSHAK JOIN FORCES TO BRING YOU UP TO SPEED ON CONSUMER TECHNOLOGY